No. 93-290

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

Supreme Court, U.S.
FILED
AUG 23 1993
OFFICE OF THE CLERK

SNYDER INDUSTRIES, INC.,

Petitioner,

v.

THE HEIL COMPANY,

Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

E. BARRETT PRETTYMAN, JR.*
JOHN G. ROBERTS, JR.
HOGAN & HARTSON
555 Thirteenth Street, N.W.
Washington, D.C. 20004
(202) 637-5685

ALAN I. CANTOR
CHRISTOPHER L. MCKEE
BANNER, BIRCH, MCKIE & BECKETT
1001 G Street, N.W.
Washington, D.C. 20001
(202) 508-9100

Counsel for Petitioner

**Counsel of Record*

PRESS OF BYRON S. ADAMS, WASHINGTON, D.C. (202) 347-8203

8 1 PP

QUESTION PRESENTED

A patent is invalid if a competing claimant reduced the invention to practice before the patent holder, by constructing the invention and demonstrating that it works for its intended use. The Patent and Trademark Office, the agency charged with administering the patent laws, looks to the entire record developed during its proceedings to determine the intended use of the invention (in this case, as a refuse container). The question presented is whether the Federal Circuit erred in concluding, contrary to precedent, that the agency's consideration of intended use is instead limited to a description of the item (in this case, a "portable molded container") composed by the Office itself at the outset of the proceeding.

LIST OF PARTIES AND RULE 29.1 LIST

The named parties to the proceedings below are indicated in the case caption. By virtue of a sale of Snyder Industries, Inc. and an associated patent assignment during these proceedings, SPE, Inc. is the real party in interest rather than named petitioner Snyder Industries, Inc.

Snyder Industries, Inc. is wholly owned by LMP Holding Co., a Delaware corporation, and has no subsidiaries to list pursuant to Rule 29.1.

SPE, Inc. has no parent companies or subsidiaries to list pursuant to Rule 29.1.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
LIST OF PARTIES AND RULE 29.1 LIST	ii
TABLE OF AUTHORITIES	iv
OPINIONS BELOW	1
JURISDICTION	2
STATUTES INVOLVED	3
STATEMENT OF THE CASE	3
REASONS FOR GRANTING THE WRIT	9
I. The Decision Below Will Transform Administration Of The Patent System	11
II. The Decision Below Conflicts With This Court's Precedents Governing The Relation Between Reviewing Courts And Administrative Agencies	22
CONCLUSION	28
APPENDICES	
Judgment of the Court of Appeals	1a
Opinion of the Court of Appeals	2a
Order Denying Petition for Rehearing	8a
Judgment of the District Court	10a
Opinion of the District Court	11a
Opinion of the Board of Patent Appeals and Interferences	31a
Order Extending Time to Petition for Certiorari	46a

TABLE OF AUTHORITIES

Cases	Page
Arkansas v. *Oklahoma*, 112 S. Ct. 1046 (1992)	23
Burns v. *Curtis*, 172 F.2d 588 (C.C.P.A. 1949)	18
Cardinal Chem. Co. v. *Morton Int'l, Inc.*, 113 S. Ct. 1967 (1993)	20
Case v. *CPC International, Inc.*, 730 F.2d 745 (Fed. Cir.), *cert. denied*, 469 U.S. 872 (1984)	12
Chandler v. *Mock*, 150 F.2d 563 (C.C.P.A. 1945) .	18
Chevron U.S.A., Inc. v. *Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984)	11,23,24
Corning Glass Works v. *Sumitomo Electric*, 868 F.2d 1251 (Fed. Cir. 1989)	17
DeGeorge v. *Bernier*, 768 F.2d 1318 (Fed. Cir. 1985)	19
DSL Dynamic Sciences, Ltd. v. *Union Switch & Signal, Inc.*, 928 F.2d 1122 (Fed. Cir. 1991) .	17,18
Eli Lilly & Co. v. *Medtronic, Inc.*, 496 U.S. 661 (1990)	20
Fitzgerald v. Arbib, 268 F.2d 763 (C.C.P.A. 1959)	13
In re Kroekel, 803 F.2d 705 (Fed. Cir. 1986)	12
In re Spina, 975 F.2d 854 (Fed. Cir. 1992)	19
In re Van Geuns, 988 F.2d 1181 (Fed. Cir. 1993)	12
K Mart Corp. v. *Cartier, Inc.* 486 U.S. 281 (1988)	24
Knapp v. *Anderson*, 477 F.2d 588 (C.C.P.A. 1973)	18,19
Landon v. *Ginzton*, 214 F.2d 160 (C.C.P.A. 1954)	19
Marston v. *J. C. Penney Co.*, 353 F.2d 976 (4th Cir. 1965), *cert. denied*, 385 U.S. 974 (1966) .	17

Table of Authorities Continued

	Page
Mobil Oil Exploration & Producing Southeast Inc. v. *United Distribution Cos.*, 498 U.S. 211 (1991)	24
Morgan v. *Daniels*, 153 U.S. 120 (1894)	26
Mullins Coal Co. v. *Director, OWCP*, 484 U.S. 135 (1987)	23
National R. R. Passenger Corp. v. *Boston & Maine Corp.*, 112 S. Ct. 1394 (1992)	23,24,25
Newkirk v. *Lulejian*, 825 F.2d 1581 (Fed. Cir. 1987)	5
Orikasa v. *Oonishi*, 10 USPQ 2d 1996 (Comm'r Pat. & Tm. 1989)	5,6
Pension Benefit Guar. Corp. v. *LTV Corp.*, 496 U.S. 633 (1990)	24
Udall v. *Tallman*, 380 U.S. 1 (1965)	23
United States v. *Fausto*, 484 U.S. 439 (1988)	20
Vermont Yankee Nuclear Power Corp. v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978)	11,25,26
Constitutional and Statutory Provisions	
U.S. Const. Art. I, § 8, cl. 8	11,13,17
28 U.S.C. § 1254(1)	2
35 U.S.C. § 101	13
35 U.S.C. § 102(g)	2,8,12
35 U.S.C. § 112	4
35 U.S.C. § 135(a)	9,11,25
35 U.S.C. § 141	14
35 U.S.C. § 146	2,6,14,15,21
Other	
P. J. Federico (Examiner-in-Chief, U.S. Patent Office) *Commentary on the New Patent Act*, 35 U.S.C.A. 1 (1954 ed.)	13

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

No. 93-_____

SNYDER INDUSTRIES, INC.,

Petitioner,

v.

THE HEIL COMPANY,

Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

Petitioner Snyder Industries, Inc. respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit, entered in the above-captioned proceeding on February 17, 1993.

OPINIONS BELOW

The judgment and opinion of the Court of Appeals for the Federal Circuit is not reported. It is reprinted in the appendix hereto ("App.") at 1a.

The memorandum decision of the United States District Court for the District of Nebraska (Urbom, D.J.) has not been reported. It is reprinted at App. 11a.

The decision of the Patent and Trademark Office Board of Patent Appeals and Interferences is not reported. It is reprinted at App. 31a.

JURISDICTION

Invoking federal jurisdiction under 35 U.S.C. § 146, respondent brought this suit in the United States District Court for the District of Nebraska seeking review of the decision of the Patent and Trademark Office Board of Patent Appeals and Interferences ("the Board") awarding priority of invention to petitioner. On December 6, 1991, the district court affirmed the Board's decision in all respects. App. 10a.

On respondent's appeal, the Federal Circuit on February 17, 1993, reversed the district court's affirmance of the Board's decision holding that petitioner was entitled to priority, and thus found that petitioner's patent was invalid under 35 U.S.C. § 102(g). App. 1a. Petitioner filed a timely Petition for Rehearing and Suggestion for Rehearing in Banc on March 3, 1993. The petition and the suggestion were denied on April 26, 1993. App. 8a. On July 13, 1993, the Chief Justice entered an order extending the time within which to file a petition for certiorari to and including August 24, 1993. App. 46a.

Certiorari jurisdiction of this Court to review the judgment of the Federal Circuit is invoked under 28 U.S.C. § 1254(1).

STATUTES INVOLVED

35 U.S.C. § 102. Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

* * *

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

35 U.S.C. § 135. Interferences

(a) Whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent, an interference may be declared and the Commissioner shall give notice of such declaration to the applicants, or applicant and patentee, as the case may be. The Board of Patent Appeals and Interferences shall determine questions of priority of the inventions and may determine questions of patentability.

* * *

STATEMENT OF THE CASE

A patent is obtained by filing an application in the United States Patent and Trademark Office. The ap-

plication must contain a specification, which describes the structure and operation of the invention; one or more claims, which delineate in legal terms what the applicant regards as the invention; a drawing (where necessary), to facilitate understanding of the subject matter; and an oath or declaration that the applicant believes himself to be the first inventor. The specification must describe the invention in terms sufficiently clear to enable those skilled in the art to "make and use" the invention. 35 U.S.C. § 112.

In this case, petitioner Snyder Industries, Inc. ("Snyder") filed an application for a patent on February 22, 1982. The application covered a portable molded refuse container having a hinged lid and a novel "hinge-handle" assembly wherein a rod performs a dual function as a lid hinge component and container handle. The application made no reference to a general purpose utility but instead designated "refuse collection" as the intended use of the container. In fact, as the application showed and the evidence later confirmed, Snyder developed the new container to provide a simplified design that would withstand heavy-duty handling by refuse trucks that automatically lifted it, dumped its contents, and replaced it on the ground. *See, e.g.*, Ct. App. JA at A776, A784-785, A954.

On September 22, 1982—seven months after Snyder had filed—respondent The Heil Company ("Heil") filed an application on the same invention. In its specification, in its claims, and in later testimony, Heil repeatedly and explicitly stated that the container was intended to be used for refuse collection. *See, e.g.*, App. 12a-13a, 20a; Ct. App. Br. for Appellee at 9-10. Snyder was awarded the patent on May 29, 1984.

Two years later, the Board declared an "interference" under 35 U.S.C. § 135. The purpose of an interference proceeding is to resolve the question of priority when two parties seek a patent on the same invention. "The *starting point* for declaring an interference is [a form] filled out by the examiner. Thus, in the first instance, the examiner indicates the count * * *."[1] The count corresponds, either identically or substantially, to one or more claims of the parties, and is intended as a description of the invention.

Thus, in this case, the examiner drafted a "count", later adopted by the Board, that was modeled after one of Snyder's claims and against which the interference would be judged. As is common practice, the count did not specifically mention the use intended for the invention.

One of the ways a patent claimant can win the priority contest is by showing that he actually reduced the invention to practice before the other patent claimant has done so. An actual reduction to practice requires a construction of the invention and a demonstration, typically by testing, sufficient to show operability of the invention for its intended purpose.[2] Here, Heil claimed to have reduced its invention to practice before Snyder. Heil had completed a mock-up container, but following the submission of oral testimony, documentary exhibits and briefs, and after arguments by counsel at a final hearing, the Board ruled that the mock-up was not a reduction to practice

---

[1] *Orikasa* v. *Oonishi*, 10 USPQ 2d 1996, 2005 (Comm'r Pat. & Tm. 1989) (emphasis added).

[2] *See, e.g., Newkirk* v. *Lulejian*, 825 F.2d 1581, 1582 (Fed. Cir. 1987).

because it had not been tested sufficiently to show operability for its intended purpose—refuse collection. In granting priority to Snyder, the Board concluded:

> [T]he record fails to establish that the [Heil] mock-up was sufficiently tested for utility under conditions of actual use to constitute a complete reduction to practice.* * * Clearly, the subject invention was designed to ultimately serve as a refuse container. While the "mock-up" evidently was maneuvered around by grasping its hinge rod-handle, and its lid was apparently opened and closed, there is no evidence that it was ever actually tested to determine whether it could be filled with refuse and subsequently inverted to empty refuse out. [App. 36a.]

Thus, the Board did not stop at consideration of the count, which its own examiner had drafted, but instead looked to the entire record to determine what use was intended and whether the mock-up met the requirements of that use. The count was only "[t]he starting point" for the Board's consideration. *See Orikasa* v. *Oonishi*, 10 USPQ 2d at 2005.

Heil brought this action under 35 U.S.C. § 146 in the United States District Court for the District of Nebraska, seeking reversal of the Board's decision. Based on the record before the Board and additional evidence adduced at trial, the district court affirmed the Board in all respects. It held that "[n]o evidence has been submitted to counter [the Board's] holding regarding testing of the mock-up container." App. 21a.

> Heil correctly asserts that the count does not specify any particular intended purpose. Rather, the count merely describes a "container." However, [Heil's] specification establishes that the invention was intended primarily as a refuse container. (DX-55). In particular, every section of the specification makes reference to a "plastic refuse container"; the specification contains a minimum of 29 such references. The very first sentence in the specification states: "This invention relates to plastic refuse containers and, more particularly, to plastic refuse containers assembled by retailers for sale." Furthermore, every numbered claim in the specification refers to a "plastic refuse container."
>
> In light of these indicia, the Board correctly required testing to show operability as a refuse container before the invention could be reduced to practice. Based upon the evidence before it, the Board concluded that such a showing had not been made. [App. 20a.]

Thus, the record was replete with undisputed evidence that both Heil and Snyder intended from the outset that their claimed inventions would be used as refuse containers with automated refuse collection equipment, and there was no evidence that any other use was intended.[3]

---

[3] The district court also affirmed the Board's holding that the invention of the count was unpatentable to Heil under 35 U.S.C. § 102(b) due to offers for sale of the invention by both Snyder and Heil more than one year before Heil's application filing date.

The Federal Circuit reversed the decision of the district court (and the Board) that Snyder was entitled to prevail on priority. Although neither party affirmatively argued in its appellate briefs that Heil's mock-up was a reduction to practice, the Federal Circuit, applying a *de novo* standard of review, *sua sponte* held that the mock-up constituted a reduction to practice of the invention of the count prior to Snyder's constructive reduction to practice. Consequently, the Federal Circuit found Snyder's patent invalid under 35 U.S.C. § 102(g).

It did so by confining its consideration of intended use to the count and ignoring Heil's patent application, Snyder's patent, the entire record developed before the Board and the district court, and the explicit factual findings of the Board and the district court to the effect that the intended practical utility of the invention was not as a general purpose container but rather as a refuse container suitable for use with automated refuse collection equipment.

> The count defines the invention only as "a portable molded *container*" (emphasis added). "[L]imitations not clearly included in a count should not be read into it." Here, the Count was limited merely to a "container," without any reference to use as a *refuse* container. The [district] court thus erred in reading such a limitation into the Count.
>
> Snyder, the senior party patentee, asserts that when a count does not state for what purpose an invention will be used, "the courts

---

This ruling was upheld by the Court of Appeals and is not at issue here.

look to the record" to determine the intended use. However, the courts look beyond the count only "when there are ambiguities inherent in the claim language or obvious from arguments of counsel." [App. 3a; citation omitted; emphasis in original.]

REASONS FOR GRANTING THE WRIT

The decision below is in conflict not only with Federal Circuit precedent but also with several of this Court's landmark decisions concerning the respective roles of administrative agencies and reviewing courts. If allowed to stand, the decision below will work a major transformation in the administration of the patent system. Congress has expressly vested in the Board of Patent Appeals and Interferences the responsibility to determine the priority of inventions. 35 U.S.C. § 135(a). The Board carries out this delegated responsibility by conducting "interference proceedings" in which the competing claimants present their respective cases. The proceedings begin with the framing of an "interference count," drafted by the Patent Office's own examiner, which describes the invention at issue. While the Board generally looks to the count to determine what the subject invention is, it looks to the entire record developed during its proceedings to determine the intended use of the invention defined by the count. The Board then considers whether the party claiming prior reduction to practice of the invention has adequately demonstrated that the invention will work for this intended use.

The Federal Circuit, however, now has ruled that the Board may not go about its business in this long accepted manner. According to the decision below,

the Board may not look to the entire record in ascertaining intended use, but instead is restricted to the count itself—a Board construct designed for an entirely different purpose. The Federal Circuit cited no statutory support for this judicially-created exclusionary rule, which is contrary to precedent from the Federal Circuit and its predecessor court, the Court of Customs and Patent Appeals.

The decision below will require the Board to alter its procedures in a dramatic fashion, since so much more will now turn on the drafting of the count itself, which occurs *before* the evidentiary proceeding—including discovery—even takes place. The court below has thus imposed an Alice-in-Wonderland regime on the Board, which must now decide the key issue of intended use at the very outset of the interference proceeding, ignoring evidentiary developments that otherwise would affect its determination of this issue. This leads to absurd results, such as the one in this case, where the Federal Circuit decided the issue as if the competing inventors were fighting over who first reduced to practice a general purpose hinge-handle container, rather than what any fair review of the *record* confirms the case is actually about—containers specifically designed and intended for refuse collection. The ruling below will also lead to the indefensible result that interference proceedings and patent validity determinations in infringement actions concerning the same patent and based on identical facts will come out differently, because counts are not involved in infringement proceedings and the decisionmaker is thus not artificially restricted to such a count in ascertaining intended use.

Although the impact of the decision below on the patent system would be reason enough to grant certiorari, the case is significant beyond the patent context. The ruling below conflicts with this Court's precedents holding that federal courts do not have the authority to impose on executive branch agencies procedural requirements that have not been specified by Congress or mandated by the Constitution. Congress gave the Board the responsibility to determine priority, and left it to that expert agency to devise the procedures for doing so. The Federal Circuit should have deferred to the Board's reasonable interpretation of its own responsibility under the statutory delegation of authority, *see Chevron U.S.A., Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), and should not have imposed procedural requirements on the Board that Congress did not see fit to impose. *See Vermont Yankee Nuclear Power Corp.* v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978). This Court should grant certiorari to confirm that these basic principles of administrative law apply to the Federal Circuit.

I. The Decision Below Will Transform Administration Of The Patent System

The Constitution authorizes Congress to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors exclusive Right to their respective Writings and Discoveries." U.S. Const. Art. I, § 8, cl. 8. As part of its exercise of this authority, Congress has vested in an executive branch agency—the Board of Patent Appeals and Interferences of the Patent and Trademark Office—the responsibility to determine the priority of inventions. 35 U.S.C. § 135(a). Included within that delegated

grant of authority is the responsibility to determine reduction to practice, a pertinent factor in assessing priority of invention under 35 U.S.C. § 102(g).

The Board carries out this responsibility by conducting interference proceedings, which commence with the drafting of an interference count by a Patent Office official. The interference count describes the subject invention and sets the stage for proceedings to decide the claim of one of the competing inventors that he first reduced the invention to practice. As the Federal Circuit has explained:

> Although the claims of one or more of the parties may be identical to the count of an interference, the count is not a claim to an invention. The count is merely the vehicle for contesting the priority of invention and determining what evidence is relevant to the issue of priority. [*In re Van Guens*, 988 F.2d 1181, 1184 (Fed. Cir. 1993) (citations omitted).]

See also In re Kroekel, 803 F.2d 705, 709 (Fed. Cir. 1986); *Case* v. *CPC International, Inc.*, 730 F.2d 745, 749 (Fed. Cir.), *cert. denied*, 469 U.S. 872 (1984).

One of the key issues in interference proceedings is testing to determine operability for intended use. As the Board indicated below, "[t]o establish a reduction to practice, it must be shown that the invention was tested for its intended purpose under conditions normally encountered in actual use * * *." Pet. App. 37a.[4] Thus, if the subject invention de-

---

[4] The significance of intended use in the patent system dates back to the Constitution, which authorizes Congress to "promote

scribed in the count is a lighter-than-air vehicle with carrying capacity, an inventor tying a toy basket to a helium balloon has not reduced the invention to practice if the intended use was as a dirigible to transport people and goods.

In ascertaining intended use, the Board does not restrict its consideration to the interference count, which was designed for the very different purpose of commencing the proceedings by defining what the invention is—not what it is to be used for. If the intended use of the invention is not set forth in the count, the Board looks to the entire record to discern what the intended purpose was. The issue, after all, is the reduction to practice of a particular invention, not the reduction to practice of an abstract Board creation known as a "count."

The decision of the Federal Circuit below bans this long established approach. Under the new Federal

---

the Progress of Science and useful Arts," U.S. Const. Art. I, § 8, cl. 8, and the requirement of usefulness (utility) has remained with the Patent Act throughout its history. 35 U.S.C. § 101 describes patentable subject matter as "any new and *useful* process, machine, manufacture, or composition of matter, or any new and *useful* improvement thereof" (emphasis added). Use becomes vital in some instances in determining whether a new machine, device, or improvement has in fact been created, and thus whether it is patentable. *See* P. J. Federico (Examiner-in-Chief, U.S. Patent Office), *Commentary on the New Patent Act*, 35 U.S.C.A. 1, 17 (1954 ed.). Absent an actual demonstration that an embodiment relied upon as a reduction to practice will work for the purpose intended by its inventor, there has not been "sufficient progress in the direction of getting the invention into the hands of the public" to consider the invention complete. *Fitzgerald* v. *Arbib*, 268 F.2d 763, 768 (C.C.P.A. 1959) (Rich, J., concurring).

Circuit rule, if the intended use is not specified in the count itself, the Board may not supply it by reference to the record. The Federal Circuit rule requires the Board to ignore reality with respect to intended use and to base its decision on an abstraction created by the Board itself, which the Board believes is inadequate for purposes of discharging its statutory responsibilities. Under this new exclusionary rule, the Board is forbidden to consider record evidence that it believes necessary to reach a correct result under the statute.

There is no dispute that the Federal Circuit has the authority to review interference decisions of the Board, either through direct review, *see* 35 U.S.C. § 141, or—as here—on review of a district court judgment in an action challenging a Board determination. *See* 35 U.S.C. § 146. It is important to recognize, however, that such review is *not* what is at issue here. The Board determined that Heil had not tested the subject invention for use as a refuse container, and the district court agreed. The court of appeals did *not* disagree. Instead, the appellate court used its authority to review the substance of a Board ruling to pass upon the internal procedures the Board employed in reaching its decision. The court held that the Board should have asked a different question—whether Heil tested the subject invention for use simply as a container—and then the court proceeded to answer that question itself. The court ruled that *its* question was the pertinent one, because the Board should follow a procedure of looking only to the count the Board drafts in deciding the intended use of an invention, to the exclusion of the record the Board compiles.

The more fundamental question therefore is not whether the Board was right or wrong in its substantive ruling, but instead whether the Federal Circuit has the authority, in the absence of any statutory grant, to transform the procedures the Board has chosen to employ in discharging the responsibility delegated to it by Congress.

The impact of the decision below on the administration of the patent system will be clear and direct. The Board will no longer be able to view its own count as simply the starting point for discharging its statutory responsibilities—a definition of what the invention is, not what it is to be used for. Instead, the formulation of the count will be the critical step in the Board's process of deciding intended use—a step the Board must now take at the outset of the interference proceeding, before it has all the information it believes it needs.

There is a further reason why the court of appeals was in error. When, as in this case, a person claiming priority seeks review in a district court, the governing statute makes it explicit that the record before the Board can be supplemented by further record evidence developed in the district court.[5] This provision makes no sense if *neither* the record before the Board *nor* the additional record developed in district court are even to be considered on the key question of

---

[5] 35 U.S.C. § 146 provides that in a civil action in district court following a Board decision, "the record in the Patent and Trademark Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony."

intended use. Congress could not have envisioned that records be developed to no avail—that after all the testimony and exhibits have been submitted, they must then, by force of law, be ignored on a critical issue before the decisionmaker.

The regime mandated by the decision below harkens back to the Dickensian age, when issues of substance were won or lost depending on the particular form of action under which they were pled at the outset of the proceeding. Here any fair review of the record confirms that the entire dispute between the parties was over a molded plastic container for use in refuse collection. Each entity that looked to the record—the Board and the district court—had no trouble reaching that conclusion. Only by employing a judicially-created exclusionary rule requiring ignorance of the record, and looking solely to the count, was the court of appeals able to regard the case as one simply about containers. The result is very similar to an ancient common law court dismissing a suit in which the trial clearly established a redressable injury because, regardless of what the record established, the suit was brought as an action for trespass when it should have been brought as an action on the case, or as trover when it should have been brought as detinue. Although the Patent Office presumably could adopt such an arcane system of pleading, it has not, and the Federal Circuit lacks the authority to require it to do so.

The Federal Circuit's alteration of the Board's internal procedures will have a significant impact on the substantive law of reduction to practice. Interference counts are drafted broadly to define a common patentable invention. This makes sense given the

use of the counts by the Board to initiate interference proceedings. If the counts are now also to be the exclusive source of evidence of intended use, however, the result will be that intended use will routinely not be a significant factor in proving reduction to practice, because the count itself will often not contain a statement of intended use. As a result of the Federal Circuit's ruling, claimants in such cases will be able to prove reduction to practice without showing testing of the invention for its intended use—a result flatly inconsistent with the patent system's focus on "*useful* Arts." U.S. Const. Art. I, § 8, cl. 8 (emphasis added). *See* note 4, *supra*.[6]

Given the foregoing, it is not surprising to learn that the decision below is in sharp conflict with other decisions from the Federal Circuit and its predecessor court. In *DSL Dynamic Sciences, Ltd.* v. *Union Switch & Signal, Inc.*, 928 F.2d 1122 (Fed. Cir. 1991), for example, the court stated that "proof of actual reduction to practice requires a showing that 'the embodiment relied upon as evidence of priority actually worked for its intended purpose,'" explaining that "[t]his is so even if the 'intended purpose' is not

---

[6] The result of the decision below is to place critical weight on whether intended use is stated in the interference count, even though there is no requirement that patent claims or interference counts contain a statement of intended use. Indeed, even when a claim or count does state an intended use, the statement may be ignored when the claim or count is construed. *See, e.g., Marston* v. *J. C. Penney Co.*, 353 F.2d 976, 986 (4th Cir. 1965), *cert. denied*, 385 U.S. 974 (1966); *Corning Glass Works v. Sumitomo Electric*, 868 F.2d 1251, 1257 (Fed. Cir. 1989).

explicitly set forth in the counts of the interference." *Id.* at 1125. This statement of the law cannot be reconciled with the approach of the panel below, which refused to look beyond the count to ascertain the intended purpose of the invention.

The understanding of the law reflected in the *DSL* decision was hardly novel. Among the authority cited by the *DSL* court was *Burns* v. *Curtis*, 172 F.2d 588 (C.C.P.A. 1949). In *Burns*, the court described the invention as "a liquid pump assembly which is primarily designed for feeding fuel to airplane engines, although the counts are not expressly limited to such use." *Id.* at 589. The court held that there was no reduction to practice when the pertinent testing failed to demonstrate satisfactory use on airplane engines, even though "the counts are not limited to airplane systems." *Id.* at 590. The *Burns* court cited a prior precedent, *Chandler* v. *Mock*, 150 F.2d 563 (C.C.P.A. 1945), as holding that "a fuel supply means for a carburetor was not reduced to practice without actual tests in an engine, even though the interference count was not limited to use with an engine." 172 F.2d at 590.

A substantial body of precedent is to the same effect. In *Knapp* v. *Anderson*, 477 F.2d 588 (C.C.P.A. 1973), the count did not specify any use for the invention—a lubricating composition—and the party alleging reduction to practice asserted it had shown sufficient utility of the composition for dispersing sludge. The court rejected the argument, noting that "[t]he *record* makes it clear that such was not an objective of the * * * research." *Id.* at 590 (emphasis added). The intended use was use in internal combustion engines, and even though that use was not

specified in the count, the court concluded that the "test results must prove that the invention will perform satisfactorily in that intended setting." *Id.* Since they did not, the court found no reduction to practice.

The court reiterated the established rule in *Landon* v. *Ginzton*, 214 F.2d 160, 164 (C.C.P.A. 1954) (emphasis supplied):

> The law is also clear on the point that it is proper for the board in an interference not only to take into consideration all of the elements recited in the counts but also the statements *in the specification* which shed light upon the purpose and intentions as to the structures defined by the counts.

In *Landon*, the court applied the rule and looked beyond the count to the specification in concluding that an invention was not reduced to practice. In the present case, the district court noted that "the [Heil] specification contains a minimum of 29" references to a "plastic *refuse* container." Pet. App. 20a (emphasis supplied). Only by overturning the rule in *Landon* and the other cited cases could the Federal Circuit below conclude that the intended use of the subject invention was simply as a general purpose container, rather than a refuse container.[7]

---

[7] The court below relied on *DeGeorge* v. *Bernier*, 768 F.2d 1318 (Fed. Cir. 1985), and *In re Spina*, 975 F.2d 854 (Fed. Cir. 1992), in support of its new rule requiring the Board of Patent Appeals and Interferences to limit its consideration to the count, to the exclusion of the record. Pet. App. 3a. Neither case mitigates the lower court's departure from established precedent that the panel below chose not even to address. In fact, *DeGeorge* and *Spina* did not involve reduction to practice issues at all,

We recognize, of course, that this Court generally does not exercise its jurisdiction on certiorari to resolve intra-circuit conflicts. At the same time, the fact that the Federal Circuit has exclusive jurisdiction in this area means that the development of an inter-circuit conflict is not a possibility. It also means that one of the principal reasons the Court generally need not consider intra-circuit conflicts—the prospect that the development of the law in other circuits may cause a court of appeals to address and resolve an intra-circuit conflict—is inapplicable.

This Court does in fact grant certiorari to review Federal Circuit decisions in the absence of an inter-circuit conflict where the question presented implicates important national interests and affects ongoing programs. *See, e.g., Cardinal Chem. Co.* v. *Morton Int'l, Inc.*, 113 S. Ct. 1967, 1971 (1993) ("Because the Federal Circuit has exclusive jurisdiction over appeals from all United States District Courts in patent litigation, the rule that it applied in this case * * * is a matter of special importance to the entire Nation. We therefore granted certiorari"); *Eli Lilly & Co.* v. *Medtronic, Inc.*, 496 U.S. 661 (1990); *United States* v. *Fausto*, 484 U.S. 439 (1988). What is significant here, as in the cited cases in which this Court has granted certiorari, is that the decision of the Federal Circuit will have direct impact on the functioning of an important ongoing national program. Given the exclusive jurisdiction of the Federal Circuit, only this Court is in a position to consider such decisions *before* they alter such a program. The decision in this case will work a fundamental transformation in the admin-

---

but rather count construction in the quite distinct "enablement" and "right to make" contexts.

istration of the patent system, and such a change should not go into effect without review by this Court.

Congress has recognized the significant impact that judicial review of a Board decision in an interference case can have on administration of the patent system, and has accordingly provided for participation by the Commissioner in such cases. While the Commissioner is not a necessary party in a district court action brought to overturn a Board decision, "he shall be notified of the filing of the suit by the clerk of the court in which it is filed and shall have the right to intervene." 35 U.S.C. § 146. There was no need for the Commissioner to intervene in this case because the broader significance of the litigation became clear only with the Federal Circuit's unanticipated ruling altering the Board's internal procedures.

In addition to distorting the Board's internal procedures, the decision below will also lead to an intolerable inconsistency in the patent system. The validity of patents may be decided either in an interference proceeding, as here, or outside of an interference context, such as in an infringement action or an action for a declaratory judgment of patent invalidity. Whether a particular patent is valid obviously should not turn on which proceeding is invoked to test validity. The decision below, however, leads directly to just such a situation.

As noted above, this case would have come out differently if patent validity had been decided in an infringement, rather than an interference, context. Since there are no counts in infringement actions, the fact-finder must necessarily look to the entire record to determine intended use, and here the record admittedly would have shown that refuse collection was

the intended use, and that Heil had not demonstrated that its container worked for that purpose. Yet because this dispute happened to arise in an interference proceeding, the Patent Office could not, in the Federal Circuit's view, look to the record but was instead confined to the count. The result is that Snyder's patent is invalid if challenged in the interference proceeding, but valid if challenged in an infringement action—on the same facts, with the same participants. This dichotomy is without rational basis.

II. The Decision Below Conflicts With This Court's Precedents Governing The Relation Between Reviewing Courts And Administrative Agencies

The decision below also has broad jurisprudential significance even beyond its palpable impact on the administration of the patent system. The Federal Circuit's ruling represents an unwarranted intrusion by the judicial branch into the internal methods and procedures of an expert executive branch administrative agency. For some time this Court has recognized, in a variety of contexts, the need for federal courts to defer to such agencies with respect to matters within the expertise of the agencies. This deference derives not from some institutional passivity but from a profound appreciation that the separation of powers restricts the role of the courts in a democratic society, and that the proper function of judicial review does not include substituting judicial policy judgments for those of the agencies charged by Congress with administering a particular program.

The Court has implemented this understanding of the judicial role in a wide range of areas. For example, the Court has frequently reiterated that reviewing courts should defer to an agency's reasonable

interpretation of its own regulations. *See, e.g., Arkansas* v. *Oklahoma*, 112 S. Ct. 1046, 1059-61 (1992); *Mullins Coal Co.* v. *Director, OWCP*, 484 U.S. 135, 159-160 (1987); *Udall* v. *Tallman*, 380 U.S. 1, 16 (1965). The reason is simple: the agency drafted the regulations, so it is in the best position to know what they mean. Courts certainly may conclude that the regulations do not comply with applicable law, but the agency generally determines what the regulation it drafted means in the first place. So too here the Federal Circuit is free to decide whether or not there has been a reduction to practice in reviewing a decision of the Board of Patent Appeals and Interferences, but the court should not intrude upon the Board's determination that it (the Board) is free to look not simply to the count it drafted but the record as well in reaching *its* decision.

This principle of deference to administrative agency interpretation of matters within agency expertise goes beyond agency interpretation of regulations. As the Court explained in *Chevron U.S.A., Inc.* v. *Natural Resources Defense Council, Inc., supra*, the federal courts should defer to an agency's reasonable interpretation of an ambiguous statute the agency is charged by Congress with enforcing. The Court recently reiterated this principle in *National R. R. Passenger Corp.* v. *Boston & Maine Corp.*, 112 S. Ct. 1394, 1401 (1992): "Judicial deference to reasonable interpretations by an agency of a statute that it administers is a dominant, well settled principle of federal law. We relied upon it in *Chevron U.S.A.* * * * and have reaffirmed it often." *See also Mobil Oil Exploration & Producing Southeast Inc.* v. *United Distribution Cos.*, 498 U.S. 211, 225 n.5 (1991); *Pen-*

sion Benefit Guar. Corp. v. *LTV Corp.*, 496 U.S. 633, 647-652 (1990); *K Mart Corp.* v. *Cartier, Inc.*, 486 U.S. 281, 292 (1988). As the Court explained the principle in *Boston & Maine*, " 'if the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute.' " 112 S. Ct. at 1401 (quoting *Chevron*, 467 U.S. at 843).

Congress specified in 35 U.S.C. § 135(a) the circumstances under which the Commissioner may declare an interference, and further specified that "[t]he Board of Patent Appeals and Interferences shall determine questions of priority of the inventions and may determine questions of patentability." Congress specified certain other limited aspects of an interference proceeding, but did not address in the statute whether the Board may look beyond the count it drafted in ascertaining the intended use of an invention. The statute the Board is charged with administering does not directly answer that question, although—as noted—it strongly suggests that record evidence may be considered. *See supra* at 15-16 & n.5. The Board's decision that the statute permits it to proceed in that manner was therefore entitled to deference under the *Chevron* doctrine. The Federal Circuit, however, simply substituted its view of appropriate procedure under the statute for that of the Board.[8]

---

[8] The Court in *Boston & Maine* explained that the *Chevron* principle is fully applicable not only when the agency's construction takes the form of an interpretive regulation but also when the construction is a necessary predicate to its decision in a particular case: "[T]he fact that the ICC did not in so many words articulate its interpretation * * * does not mean that we

Finally, the decision below—by imposing procedural requirements on the agency that were not mandated by Congress or required by the Constitution—is inconsistent with one of this Court's leading decisions in the area of administrative law, *Vermont Yankee Nuclear Power Corp.* v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978). In *Vermont Yankee*, an Administrative Procedure Act case, the Court held that "[a]gencies are free to grant additional procedural rights in the exercise of their discretion, but reviewing courts are generally not free to impose them if the agencies have not chosen to grant them." *Id.* at 524. The Court went on to explain that "[e]ven apart from the Administrative Procedure Act this Court has for more than four decades emphasized that the formulation of procedures was basically to be left within the discretion of the agencies to which Congress had confided the responsibility for substantive judgments." *Ibid.*

Here, of course, Congress has confided in the Board of Patent Appeals and Interferences the responsibility for deciding priority of inventions. 35 U.S.C. § 135(a). The formulation of procedures for doing so is therefore left to the Board. The Board's procedures permit consideration of record evidence beyond the count in ascertaining intended use. In creating the new pro-

---

may not defer to that interpretation, since the only reasonable reading of the agency's opinion, and the only plausible explanation of the issues that the agency addressed * * * is that the ICC's decision was based on the proffered interpretation." 112 S. Ct. at 1403. Here the Board, in the course of issuing its decision, confirmed its understanding that the statutory authority under which it acted permitted it to look beyond the count to the record, and it in fact did so in deciding the case before it.

cedural rule that the Board may look only to the count, the court below violated the principle of *Vermont Yankee* and its precursors "cautioning reviewing courts against engrafting their own notions of proper procedures upon agencies entrusted with substantive functions by Congress." *Vermont Yankee*, 435 U.S. at 525.

This Court should grant certiorari to settle the question of whether these basic principles of administrative law apply to the Federal Circuit as they do to the other federal courts. Although the Federal Circuit is a specialized tribunal, that specialization does not carry with it license to substitute its judgment on matters of internal procedure for the judgment of the executive agencies it reviews.

That is particularly true with respect to the procedures of the Patent Office. This Court recognized a century ago that the Patent Office was "a special tribunal, entrusted with full power in the premises." *Morgan* v. *Daniels*, 153 U.S. 120 (1894). The Court in *Morgan* stated that "it must be laid down as a rule that where the question decided in the Patent Office is one between contesting parties as to priority of invention, the decision there made must be accepted as controlling upon that question of fact in any subsequent suit between the same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction." *Id.* at 125. Here the Federal Circuit eschewed any such deference and overturned a Patent Office decision on priority, because the court had a view different from that of the Board on the extent to which a count drafted by the Board controls the Board's own determination on the merits. The ruling below

is contrary to established precedent not only in the patent area but in the more general area of judicial review of administrative action. Unless overturned, the decision will have a significant adverse impact on administration of the patent laws.

Finally, the present case is an excellent vehicle to resolve the question presented. The case is in no sense fact-specific; the court of appeals articulated and based its decision on a generally applicable rule. The new rule is immediately applicable in all patent interference proceedings and all reviews of such proceedings in district courts across the Nation. The impact of the rule on the judgment is also clear. Both the Board and the district court, construing the count in light of the record, upheld Snyder's patent. The court of appeals invalidated it because of the court's new rule on count exclusiveness. The significant patent law issue is thus squarely presented, as is the broader question of whether a reviewing court may impose on an administrative agency procedures not mandated by Congress or the Constitution.

CONCLUSION

For the foregoing reasons, this Court should grant the petition and reverse the decision below.

Respectfully submitted,

E. BARRETT PRETTYMAN, JR.*
JOHN G. ROBERTS, JR.
HOGAN & HARTSON
555 Thirteenth Street, N.W.
Washington, D.C. 20004
(202) 637-5685

ALAN I. CANTOR
CHRISTOPHER L. MCKEE
BANNER, BIRCH, MCKIE & BECKETT
1001 G Street, N.W.
Washington, D.C. 20001
(202) 508-9100

Counsel for Petitioner

**Counsel of Record*

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

92-1126

THE HEIL COMPANY,
Plaintiff-Appellant,

v.

SNYDER INDUSTRIES, INC.,
Defendant-Appellee.

Judgment

ON APPEAL from the United States District Court for the District of Nebraska

in *CASE NO(S).* 88-L-671

This CAUSE having been heard and considered, it is ORDERED and ADJUDGED:

AFFIRMED-IN-PART AND REVERSED-IN-PART.

ENTERED BY ORDER OF THE COURT

DATED FEB 17 1993

/s/ Francis X. Gindhart
Francis X. Gindhart, Clerk

ISSUED AS A MANDATE: May 6, 1993

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

92-1126

THE HEIL COMPANY,
Plaintiff-Appellant,

v.

SNYDER INDUSTRIES, INC.,
Defendant-Appellee.

DECIDED: February 17, 1993

Before MICHEL and LOURIE, *Circuit Judges,* and COWEN, *Senior Circuit Judge.*

MICHEL, *Circuit Judge.*

DECISION

The Heil Company (Heil) appeals from the December 6, 1991 judgment of the United States District Court for the District of Nebraska in Docket No. CV88-L-671, granting priority to Snyder Industries, Inc. (Snyder). We *affirm-in-part* and *reverse-in-part.*

DISCUSSION

Under 35 U.S.C. § 146 (1988), "[a]ny party to an interference dissatisfied with the decision of the Board . . . on the interference may have remedy by civil action . . . unless he has appealed to the United States Court of Appeals for the Federal Circuit, and such appeal is pending or has been decided." Thus, a dissatisfied party initially has the choice of either (a) appealing the Board's decision

to this court, or (b) filing an interference suit in a federal district court. A party choosing option (b) may appeal the decision of the district court to this court. 28 U.S.C. § 1295(a)(4)(C) (1988). Thus, in an appeal such as the instant one, we review the decision of the district court, not that of the Board,[1] and we limit our review here accordingly.

Heil, the junior party applicant, first argues on appeal that the district court's interpretation of the interference count (Count) as requiring utility as a *refuse* container was erroneous. We agree. The Count defines the invention only as "a portable molded *container*" (emphasis added). [L]imitations not clearly included in a count should not be read into it." *Newkirk v. Lulejian*, 825 F.2d 1581, 1583, 3 USPQ2d 1793, 1795 (Fed. Cir. 1987). Here, the Count was limited merely to a "container," without any reference to use as a *refuse* container. The court thus erred in reading such a limitation into the Count.

Snyder, the senior party patentee, asserts that when a count does not state for what purpose an invention will be used, "the courts look to the record" to determine the intended use. However, the courts look beyond the count only "when there are ambiguities inherent in the claim language or obvious from arguments of counsel." *DeGeorge v. Bernier*, 768 F.2d 1318, 1322, 226 USPQ 758, 761 (Fed. Cir. 1985). Furthermore, when such ambiguities exist, the courts must look "to the specification of the patent from which the copied claim came," *id.; see also In re Spina*, 975 F.2d 854, 856, 24 USPQ2d 1142, 1144 (Fed. Cir. 1992) (quoting *DeGeorge*)—here, Snyder's specification.

Interpretation of a count is a question of law, which we review *de novo*. *DeGeorge*, 768 F.2d at 1321, 226 USPQ

[1] Indeed, "[i]n such suits the record in the Patent and Trademark Office shall be admitted [in the district court] on motion of either party . . . [and such evidence] when admitted shall have the same effect as if originally taken and produced in the suit." 35 U.S.C. § 146.

at 760. We do not believe the unqualified term "container" is ambiguous. However, even assuming that it is, Snyder's specification describes the invention as "relat[ing] generally to containers and, in particular, to a molded, wheeled container with a hinged lid. Such containers, particularly in larger sizes on the order of 90 gallons, are particularly well suited for handling refuse." Joint Appendix at 2680. Thus, Snyder's patent, and therefore the Count, do not limit the invention to use as only a refuse container.

Consequently, we conclude that Heil's second argument—that the district court erred in requiring testing of the invention as a refuse container under conditions of actual use in order to establish a reduction to practice—also has merit. Reduction to practice is a question of law, *D.L. Auld Co. v. Chroma Graphics,* 714 F.2d 1144, 1151, 219 USPQ 13, 18 (Fed. Cir. 1983), and therefore is reviewed *de novo.* In order for there to be a reduction to practice, "the invention must have been 'sufficiently tested to demonstrate that it will work for its intended purpose.' " *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 861, 226 USPQ 402, 407 (Fed. Cir. 1985) (quoting *General Electric Co. v. United States,* 654 F.2d 55, 60 n.8, 228 Ct. Cl. 192, 201 n.8, 211 USPQ 867, 872 n.8 (1981)), *cert. denied,* 475 U.S. 1016 (1986). The invention in this case was intended for use as a portable, lidded container with a hinge-handle construction and not only as a refuse container. Thus, the district court erred in requiring Heil to have tested the invention under "actual use" conditions as a refuse container.

Furthermore, an invention need not be tested "in a commercially satisfactory stage of development" in order to prove a reduction to practice. *Id.* (quoting *Barmag Barmer Maschinefabrik AG v. Murata Mach., Ltd.*, 731 F.2d 831, 838, 221 USPQ 561, 567 (Fed. Cir. 1984)). Consequently, the test of the May, 1981 mock up container (mock up), during which the mock up "was maneuvered around by grasping its hinge rod-handle, and its lid was

apparently opened and closed," *Heil Co. v. Snyder Indus., Inc.*, No. CV88-L-671, slip op. at 8 (D. Neb. Dec. 6, 1991) (quoting Board's decision at 5-6), was sufficient.

Thus, we conclude that the mock up had proven utility as a portable, lidded container and that the testing was adequate to demonstrate that the hinge-handle "worked for its intended purpose." *Newkirk*, 825 F.2d at 1582, 3 USPQ2d at 1794. Molding of the body of such containers was old in the art. Accordingly, we hold that the mock up was a reduction to practice of the invention that corresponded to the Count in all essential respects, even though the mock up did not represent a commercially marketable refuse container.

Heil further contends on appeal that the district court erred in determining "that Heil's mock up put Heil in sufficient possession of the commercially preferred rotationally molded embodiment Heil offered for sale [in its September 9, 1981 bid to the County of Sacramento (Sacramento bid)] to raise an 'on sale' bar." Whether an on sale bar arises is a question of law based on underlying questions of fact. *Intel Corp. v. U.S. Int'l Trade Comm'n*, 946 F.2d 821, 829, 20 USPQ2d 1161, 1169 (Fed. Cir. 1991). In *UMC Electronics Co. v. United States*, 816 F.2d 647, 656, 2 USPQ2d 1465, 1472 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1025 (1988), this court set forth the factors to be considered and the respective burdens of proof involved in determining whether a particular activity constitutes an on sale bar:

> [T]he challenger has the burden of proving that there was a definite sale or offer to sell more than one year before the application for the subject patent, and that the subject matter of the sale or offer to sell fully anticipated the claimed invention or would have rendered the claimed invention obvious by its addition to the prior art. If these facts are established, the patent owner

> is called upon to come forward with an explanation of the circumstances surrounding what would otherwise appear to be commercialization outside the grace period.

The *UMC* court recognized two exemplary circumstances that would preclude an on sale bar: (1) if the inventor had not progressed "far beyond" a mere conception; or (2) if the sale was only part of experimental testing of the invention. *Id.*

The district court stated that it was undisputed that, with the Sacramento bid at a competitive price, Heil made an offer to sell 28,000 refuse containers to the City of Sacramento. The district court further found that the mock up, although not a reduction to practice, represented the subject invention beyond "mere conception," embodying "the hinge-handle construction, the one element of the invention that was not yet part of the prior art." *Heil,* slip op. at 14. Because we hold that the mock up was an actual reduction to practice and, therefore met an even more rigorous test than "fully anticipat[ing] the claimed invention or . . . render[ing] the claimed invention obvious by its addition to the prior art," *UMC,* 816 F.2d at 657, 2 USPQ2d at 1472, we conclude that the district court's findings were not clearly erroneous, and accordingly that the challenger—Snyder—fulfilled its burden. Moreover, the district court erred in requiring the feature of rotational molding of the hinge-handle, even though it was a limitation in a dependent claim in Snyder's patent.

In addition, the finding that Heil was not merely offering a concept of the invention for sale inheres in the district court's finding that the mock up was more than a "mere concept," and our holding that there was a reduction to practice of the invention described in the Count confirms that finding. Furthermore, the district court found that Heil "intended to perform the contract" with Sacramento if it won the bid, and that it backed up that

intent with a $300,000 bid bond. *Heil,* slip op. at 14. Because of this "level of commitment to th[e] bid," in combination with the other factors, the district court concluded that the Sacramento bid constituted an on sale bar under 35 U.S.C. § 102(b) (1988). Because Heil's intent to fulfill the contract if awarded (and thereby earn a profit) and the size of the bid bond could together certainly show that Heil had a commercial motive in making this offer to sell, we conclude that these district court findings, which establish that Heil did not rebut the presumption of an on sale bar created by the above findings, are also not clearly erroneous.[2]

CONCLUSION

We hold that Heil's May, 1981 mock up constituted a reduction to practice of its invention, thereby rendering Snyder's patent invalid under 35 U.S.C. § 102(g) (1988). We hold further that the invention is unpatentable to Heil, as it was on sale more than one year prior to the date of Heil's patent application. 35 U.S.C. § 102(b). Accordingly, the district court's judgment is affirmed-in-part and reversed-in-part.

COSTS

Each party shall bear its own costs.

---

[2] Because we hold that Heil was precluded from obtaining a patent for its invention because of an on sale bar and that Heil's mock up was a reduction to practice of the invention of the Count, we need not address the issues raised by the parties in this appeal that pertain to Heil's prototype containers and the district court's findings and conclusions with respect thereto.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

92-1126

THE HEIL COMPANY,
Plaintiff-Appellant,

v.

SNYDER INDUSTRIES, INC.,
Defendant/Cross-Appellant.

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLEE, and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED, and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on May 3, 1993.

FOR THE COURT,
FRANCIS X. GINDHART, CLERK

Dated: April 26, 1993

By /s/Diane M. Frye
Diane M. Frye
Chief Deputy Clerk

cc: GEORGE P. MCANDREWS
ALAN I. CANTOR

HEIL CO V SNYDER IND INC, 92-1126
(DCT - 88-L-671)

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEBRASKA

CV88-L-671

THE HEIL CO.,

Plaintiff,

vs.

SNYDER INDUSTRIES, INC.,

Defendant.

JUDGMENT

IT IS HEREBY ORDERED the Board of Patent Appeals and Interferences' decision granting priority to Snyder Industries, Inc. is affirmed.

Dated December 6, 1991.

BY THE COURT

/s/ Warren K. Urbom
United States Senior District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEBRASKA

CV88-L-671

THE HEIL CO.,

Plaintiff,

vs.

SNYDER INDUSTRIES, INC.,

Defendant.

MEMORANDUM OF DECISION

This action was brought by The Heil Company against Snyder Industries under 35 U.S.C. § 146. The plaintiff seeks reversal of the Board of Patent Appeals and Interferences' decision in which the Board: (1) awarded priority of invention of the Interference Count to the defendant's assignors, Larry Snyder and Richard Florer; and (2) held that an on-sale bar rendered the Interference Count unpatentable to the plaintiff's assignor. The plaintiff asserts the Board's decision with respect to both (1) and (2) above were erroneous. Jurisdiction is proper pursuant to 35 U.S.C. § 146 and 28 U.S.C. §§ 1391(b)-(c).

Refuse containers are the subject matter of this case. More specifically, the issues revolve around the right to hold the patent for a molded plastic refuse container that utilizes a molded "hinge-handle" design, thereby eliminating the need for metal hardware to attach the lid to the body of the container. It is conceded that Heil's assignor, Fred Smith, was the first to conceive of the invention, presumably prior to August 1980. (Filing 31). However, Snyder, having conceived of the invention no later than July 20, 1981, was the first to file a patent application relating to the invention. Smith filed its patent application on September 22, 1982.

Snyder was awarded a patent for the invention on May 29, 1984. Smith subsequently filed an interference action pursuant to 35 U.S.C. § 135 in which Snyder was adjudged to be the senior party and Smith the junior party. The Board of Patent Appeals and Interferences ("Board"), following the submission of oral testimony, documentary exhibits, and briefing by counsel, upheld the validity of Snyder's patent. This action by Heil, as Smith's assignee, followed.

A bench trial was held on July 9-10, 1990. Evidentiary issues were briefed and resolved during the months following trial and the case is finally ready for disposition. The pretrial order, filing 31, specifies three controverted issues to be resolved:

1. Whether Heil reduced the subject matter of the Count to practice prior to Snyder's constructive reduction to practice date of February 22, 1982.

2. Assuming, arguendo, that Heil's reduction to practice occurred after February 22, 1982, whether Heil proceeded with diligence from a date just prior to July 20, 1981, to the subsequent reduction to practice.

3. Whether the subject matter of the Count is unpatentable to Heil under the "on sale" provisions of 35 U.S.C. § 102(b).

I. BACKGROUND OF THE CASE

Fred Smith, Heil's assignor, contracted with Heil in 1979 for consultation services regarding solid waste handling. At that time, "automated systems" involving a refuse container that could be picked up and dumped into a refuse truck without the driver having to leave the cab were new to Heil. Smith believed a more cost effective container for use with the automated systems could be manufactured using rotomolding techniques. The current model required manual installation of metal hardware including hinges to affix the lid to the container body. The idea was conceived

that a container could be fashioned that utilized molded hinges, thereby eliminating hardware installation and creating cost savings for the company. (Tr. at 22-26).

On August 25-26, 1980, a meeting was held to discuss the possibility of developing a new refuse container. This "refuse container value analysis meeting" was attended by Smith and several Heil employees. (PX-1). As part of that meeting, Smith prepared sketches of the proposed container. (PX-1). In addition, a market survey of the desirability of such a product was ordered and yielded favorable results. (PX-2). Consequently, on January 8, 1981, Heil's Vice President of Product Planning and Development, George Rea, directed Smith to "go ahead" with the development of the new product. (PX-3).

In March 1981, Smith provided more detailed drawings of the new container. A "mock-up" of the product was ordered from Valley Pattern & Mold Co., Inc. on March 10, 1981. (PX-15). The mock-up was completed in May 1981. (PX-21). Upon examination of the mock-up, it was noted that wheel wells should be added for aesthetic purposes and "radii" incorporated in the sidewall construction to prevent distortion or "buckling." (Tr. at 35). More drawings were made in August 1981. Heil's plant manager, Gerry Francisco, instructed that a purchase order be issued to proceed with the manufacture of a mold in accordance with the latest drawings.

Snyder was, during this time, also anticipating a change in container design to eliminate metal hardware. In a memorandum reporting a meeting on July 10, 1981, it was reported that a new design incorporating a hinge-handle would be drawn and submitted for approval. (DX-7). A prototype 90-gallon container was completed on July 20, 1981. (DX-10, DX-11, DX-12). Final drawings and dimensioning were finished on July 23, 1981. (DX-12).

On or about September 9, 1981, Heil prepared and submitted a bid to supply 28,000 90-gallon containers to the

County of Sacramento, California. Among other things, the container specifications called for a container that was round in the area of the clasping arm and fitted with a watertight lid that did not utilize a metal hinge. (PX-19, DX-30). In addition, test criteria and procedures intended to be used were to be specified in the bid. Bid specifications established that delivery of the containers would begin 160-180 days after receipt of the order.

Snyder was also making efforts to market its newly designed container. On September 11, 1981, Snyder submitted a bid for 90-gallon containers to Sacramento. (DX-15). Subsequent offers were made to supply containers to Albany, Georgia, Columbus, Ohio, Phoenix, Arizona, and Atlanta, Georgia. (DX-16, DX-18 to DX-21).

On September 14, 1981, Heil briefly halted its work on the new design pending the possibility of its purchasing a competitor company, Turnkey. However, three days later, Rea recommended the mold that had been ordered be completed, regardless of the outcome with Turnkey, since Heil "had spent 80% of the mold cost already." An order to "go ahead" with the completion of the mold was given on October 7, 1981. (DX-74).

The mold was actually received by Heil in November 1981. Several castings were made and these prototype containers examined for structural soundness and aesthetic quality. The mold did not provide for wheel wells and plans were made for modifying the mold to accomplish that alteration. In addition, alterations were undertaken to remedy "buckling" of the sides. (Tr. at 37-40, PX-4).

On November 13, 1981, Smith was advised by memorandum of the perceived problems and asked to personally inspect the containers. (PX-5, PX-37). Such an inspection occurred on December 3-4, 1981, at which time Smith identified several mold errors which precipitated the problems. According to a December 7, 1981, memorandum from Rea, Smith and Francisco "feel we have all the answers now.

. . . Gerry estimates that we should have these changes made and have the mold back within two weeks. So at that time we will be able to make up some containers, put a few out in the field, get samples in Sales' hands, etc." (PX-6, PX-38).

Some testing of the new container was allegedly undertaken during November and December. However, the exact nature and extent of the testing is a disputed issue and will be discussed later as it relates to reduction to practice.

On January 6, 1982, Heil offered for sale 1000 90-gallon containers. The offer was accepted by the Pleasanton Garbage Service in Pleasanton, California, and a purchase order prepared on February 22, 1982. (PX-44, PX-45, PX-46).

Mold changes were still being made by Heil. A handwritten note from Rea to Francisco, dated January 15, 1982, detailed possible modifications of the molds. In addition, Rea noted his "mind wasn't made up" as to whether the container should incorporate two or three hinges. (PX-7). A subsequent memorandum, dated January 21, 1982, was accompanied by additional drawings and indicated changes in the proposed dimensions as well as the use of two rather than three hinges. (PX-8 and PX-9).

On February 19, 1982, Rea again wrote to Smith, referencing a telephone conversation of that day and expressing urgency in completing the 90-gallon container drawings. Francisco was to modify the 90-gallon mold and run some sample containers on February 20-22, 1982. Rea requested that Smith "proceed *as quickly as possible*" in completing the drawings if the latest modifications were successful. (PX-10 (emphasis in original)).

Snyder filed its patent application on February 22, 1982, and the patent granted on May 29, 1984.

II. STANDARD OF REVIEW

Even though an action under section 146 involves a new trial, the district court is not entitled to make a de novo review of the case as it was presented to the Board. As established by the Supreme Court, the Board's decision, as it relates to questions of priority of invention, is entitled to a presumption of correctness and regularity. The decision regarding priority "must be accepted as controlling upon that question of fact . . . unless the contrary is established by testimony which in character and amount carries thorough conviction." *Morgan v. Daniels,* 153 U.S. 120, 125 (1894).

This standard has remained unchanged, *see, e.g., Piher S.A. v. CTS Corp.,* 664 F.2d 122, 126 (7th Cir. 1981); *Standard Oil Co. (Indiana) v. Montedison, S.p.A.,* 664 F.2d 356, 361-62 (3d Cir. 1981), *cert. denied,* 456 U.S. 915 (1982), and is equivalent to the "clearly erroneous" standard. *Kirschke v. Lamar,* 426 F.2d 870, 873 n.3 (8th Cir. 1970) (clearly erroneous standard of Rule 52(a) is applicable to section 146 actions).

The plaintiff asserts that the admission of new evidence warrants application of a "preponderance of the evidence" standard. While it is true that parties to a section 146 proceeding may introduce evidence that has not been reviewed by the Board, thereby necessitating a *de novo* review of that particular evidence, I do not believe that standard applies to the entire case. Rather, this limited *de novo* review permits the district court to adjudge the credibility and weight to be afforded this new evidence. Once the new evidence has been appropriately weighted, it must be considered in conjunction with the record from the Board proceedings to determine whether the Board's decision was clearly in error. "The 'thorough conviction' determination is to be made on the basis of the entire record before the district court, including both the record that was before the Board and any additional evidence

admitted by the court." *Velsicol Chemical Corp. v. Monsanto Co.*, 579 F.2d 1038, 1042 (7th Cir. 1978). *See Standard Oil*, 664 F.2d at 361-62 (clearly erroneous standard applied to all evidence including expert testimony heard by district court). Absent such a finding of clear error, the Board's ruling cannot be overturned.

I am unpersuaded by the plaintiff's apparent argument that the introduction of new evidence defeats the presumption of correctness otherwise attributable to the Board's decision. The cases cited by the plaintiff, *Fregeau v. Mossinghoff*, 776 F.2d 1034 (Fed. Cir. 1985), *Burlington Industries v. Quigg*, 822 F.2d 1581 (Fed. Cir. 1987), and *Gould v. Quigg*, 822 F.2d 1074 (Fed. Cir. 1987), involve actions under 35 U.S.C. § 145 rather than section 146. Furthermore, they do not indicate a departure from the Supreme court rule established in *Morgan v. Daniels* when new evidence has been admitted. Rather, they state that de novo fact finding is to be made by the district court when new evidence is presented. This rule seems to state the obvious in that the initial review of the newly admitted evidence must be *de novo* by definition. If no other judicial entity has reviewed the evidence, there can be no other review. These cases do not, however, instruct that a lesser burden of proof is necessary to warrant reversal of the Board's decision. For example, the Federal Circuit in *Gould v. Quigg* supported its statement regarding the propriety of a *de novo* fact finding of new evidence with the language from *Morgan v. Daniels* establishing the "thorough conviction" standard of review. *Gould*, 822 F.2d at 1077 (district court relied upon newly admitted expert testimony in setting aside the Board's decision on patentability).

Accordingly, the documentary and parol evidence that has been newly admitted by both parties will be subjected to a *de novo* review by the court. However, in order to prevail, the plaintiff bears the burden of showing the Board's decision regarding priority to be clearly erroneous. As discussed in the remaining sections of this memoran-

dum, the plaintiff does not satisfy that burden and the Board's decision will be affirmed.

III. REDUCTION TO PRACTICE

Heil's inventor was admittedly the first to "conceive" the idea of the hinge-handle container involved in this suit. Smith was therefore the prior inventor, and entitled to priority, if Heil proved by a preponderance of the evidence that Heil was the first to reduce the invention to practice. 35 U.S.C. § 102(g). The Board determined that Heil had not adequately tested the "mock-up" container to prove reduction to practice. To counter this finding, Heil presented, over objection by Snyder, new evidence at trial concerning testing of the prototype containers during November and December 1981.

In determining whether a reduction to practice occurred, the general rule is that the invention must have been demonstrated to have "actually worked for its intended purpose." *Newkirk v. Lulejian*, 825 F.2d 1581, 1582 (Fed. Cir. 1987). Such demonstration requires sufficient testing to show workability. *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 861 (Fed. Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986). However, a demonstration of workability may be achieved without testing where the inventions are "so simple and their purpose so obvious that their complete construction is sufficient to demonstrate workability." *Eastern Rotorcraft v. United States*, 384 F.2d 429, 431 (Ct. Cl. 1967) (en *banc*) (simplicity of cargo tie down eliminated need to test with cargo in transit).

Reduction to practice does not, however, require that the invention be in a "commercially satisfactory stage of development" at the time of testing. *Barmag Barmer Maschinenfabrik AG v. Murata Mach., Ltd.*, 731 F.2d 831, 838 (Fed. Cir. 1984). Accordingly, in *Barmag Barmer*, a newly invented machine was effectively reduced to practice when it had successfully produced synthetic yarn even though the product was inferior. *Id.* at 839.

The plaintiff asserts that, because the Interference Count does not specify an intended use, "evidence demonstrating substantial utility for *any* purpose is enough to show reduction to practice." *Shurie v. Richmond*, 699 F.2d 1156, 1159 (Fed. Cir. 1983); *accord Gordon v. Hubbard*, 347 F.2d 1001, 1006 (C.C.P.A. 1965). Accordingly, the argument goes, the hinge-handle container was reduced to practice once it was shown, or was apparent, that the embodiment possessed all elements of the count and would work as a "container;" workability as a refuse container was not required to meet the legal standard for reduction to practice.

I cannot agree with this conclusion. The long-established rule requiring a showing of utility for the invention's intended purpose applies "even if the 'intended purpose' is not explicitly set forth in the counts of the interference." *DSL Dynamic Sciences Ltd. v. Union Switch & Signal, Inc.*, 928 F.2d 1122, 1125 (Fed. Cir. 1991). The court in *DSL* cited two cases, *Elmore v. Schmitt*, 278 F.2d 510 (C.C.P.A. 1960) and *Burns v. Curtis*, 172 F.2d 588 (C.C.P.A. 1949), as illustrative of the need to divine an intended purpose where the count was silent. In *Elmore*, the court held that reduction to practice had not occurred where testing of a binary counter failed to duplicate actual working conditions in any practical use even though the interference count had not indicated any intended purpose. *Elmore*, 278 F.2d at 513. Similarly, the court in *Burns* concluded the newly invented liquid pump assembly was "primarily designed for feeding fuel to airplane engines, although the counts are not expressly limited to such use." *Burns*, 172 F.2d at 589. Consequently, testing to show that a liquid pump assembly would "operate successfully in service on an airplane" was necessary to establish reduction to practice. *Id.* at 591.

In cases where the interference count is silent as to an intended purpose, the court may consider statements contained in the patent applications and specifications for guidance. *Gordon v. Hubbard*, 347 F.2d 1001, 1004-05 & n.4 (C.C.P.A. 1965). *See also Landon v. Ginzton*, 214 F.2d

160, 164 (C.C.P.A. 1954) (in interference proceeding, board may consider not only elements recited in the counts but also statements in the specification "which shed light upon the purpose and intentions" as to the invention).

Heil correctly asserts that the count does not specify any particular intended purpose. Rather, the count merely describes a "container." However, Smith's specification establishes that the invention was intended primarily as a refuse container. (DX-55). In particular, every section of the specification makes reference to a "plastic refuse container"; the specification contains a minimum of 29 such references. The very first sentence in the specification states: "This invention relates to plastic refuse containers and, more particularly, to plastic refuse containers assembled by retailers for sale." Furthermore, every numbered claim in the specification refers to a "plastic refuse container."

In light of these indicia, the Board correctly required testing to show operability as a refuse container before the invention could be reduced to practice. Based upon the evidence before it, the Board concluded that such a showing had not been made. Accordingly, priority was granted to Snyder as it established a "constructive reduction to practice" on the date it filed its patent application. The question to be considered now is whether the new evidence submitted by Heil is sufficient to show that testing of the mock-up or prototype containers was sufficient to establish operability as a refuse container.

In granting priority to Snyder, the Board concluded:

> "[T]he record fails to establish that the Smith mock-up was sufficiently tested for utility under conditions of actual use to constitute a complete reduction to practice. . . . Clearly, the subject invention was designed to ultimately serve as a refuse container. While the 'mock-up' evidently was maneuvered around by grasping its hinge

> rod-handle, and its lid was apparently opened and closed, there is no evidence that it was ever actually tested to determine whether it could be filled with refuse and subsequently inverted to empty the refuse out."

(Decision at 5-6). No evidence has been submitted to counter this holding regarding testing of the mock-up container.

However, much of the plaintiff's case at trial was directed at establishing that adequate testing had been conducted with the prototype containers. Briefly, Heil's witnesses testified that during November-December 1981, the prototype containers had been subjected to testing sufficient to show their operability. Smith recalled "checking the balance of the container" and wheeling it about with "a little bit of weight in it." (Tr. at 130-31). In addition, Smith and Francisco both testified they had taken a prototype container to another shop in Phoenix, "Bingman's," and observed it being grasped, lifted, inverted, and lowered by an automatic lift device. (Tr. at 133-36, 153-54, 190-93). Francisco further testified he conducted similar tests with prototype containers on three occasions prior to mid-January 1982. (Tr. at 191-92).

Evaluation of the containers under field conditions was begun with the placement of a container at a residence next door to the Heil plant. Other containers were issued to the City of Phoenix for use on refuse routes. (Tr. at 190, 193-94).

In opposition the defendant is quick to point out that the new testimony is "contradicted by evidence in the Interference Record, including the earlier testimony of Smith himself . . . ; and it is entirely uncorroborated." (Defendant's Post-Trial Brief at 20-21). I am inclined to agree as to both contentions.

As to the need for corroboration of the inventor's and his assignee's testimony regarding reduction to practice:

> "[I]t is well established that the burden of proof of an inventor's alleged conception and reduction to practice is a heavy one requiring full corroboration by other than the inventor's own self-serving testimony or records. In fact, this court has held that oral recollections of long past events, unsupported by contemporaneous documentary evidence, are insufficient to meet the strict burden of proof required."

Lockheed Aircraft Corp. v. United States, 553 F.2d 69, 74 (Ct. Cl. 1977) (oral testimony of the inventor was sufficiently corroborated by documentary evidence to establish conception and reasonable diligence). This rule recognizes that "a party in an interference proceeding is rarely in a position to present evidence contradicting his opponent's testimony as to his acts of invention." *Velsicol Chemical Corp. v. Monsanto Co.*, 579 F.2d 1038, 1048 (7th Cir. 1978). Consequently corroboration is required to show that "the inventor actually produced the product and knew it would work, by proof that could not have been fabricated or falsified." Id. at 1048-49 (*quoting Gianladis v. Kass*, 324 F.2d 322, 325 (C.C.P.A. 1963)).

As discussed earlier, the trial court is entitled to make a *de novo* review of the newly admitted evidence. It could, therefore, be argued that corroboration of new testimony is not required. However, part of the duty of the fact finder is to judge the credibility of the evidence adduced at trial. Accordingly, the presence or absence of corroborating evidence is a factor in weighing the evidence, just as are the perceived truthfulness of witnesses and the reliability of sources.

Smith's testimony regarding in-plant manipulation of the prototype container is completely uncorroborated; neither documentary nor independent parol evidence has been produced to bolster that evidence. Heil has also failed to present independent evidence, either documentary or parol, of

the testing that allegedly occurred at Bingman's shop. Only oral testimony by interested parties exists.

Apparent inconsistencies also exist in the testimony regarding testing at Bingman's shop. Smith testified that he observed only one test at Bingman's and that test occurred in early December 1981, with an empty prototype container. (Tr. at 136, 153). However, I find it significant that a memorandum of December 7, 1981, reported Smith's trip to Phoenix but failed to note any activity that could be construed as testing. The memorandum stated:

> "Gerry Francisco called me 12/4/81 and advised that the containers that we slowed the cooling cycle down on came out looking real good.
>
> Fred Smith was in Phoenix 12/3 & 12/4 and went over the molds, the axle-wheel problem, etc. Fred found some mold errors which precipitated some of the problems.
>
> He and Gerry have also come up with some changes in the wheel area to improve the appearance in that area.
>
> They feel we have all the answers now. There will have to be some mold changes made—Gerry estimates that we should have these changes made and have the mold back within two weeks.
>
> So at that time we will be able to make up some containers, put a few out in the field, get samples in Sales' hands, etc."

(PX-6).

The only possible corroboration of Smith's testimony regarding testing came from Francisco. He testified at trial that no written reports existed regarding such testing but that he observed shop tests at Bingman's on three or four occasions. In corroboration of Smith's testimony, Francisco stated he accompanied Smith to Bingman's on one occasion

at which time they ran an empty prototype container through a complete cycle on the automated machine. (Tr. at 206-08.) However, this testimony, while consistent with Smith's earlier testimony, contradicted the witness' own deposition testimony at which he omitted any reference to testing an empty container at Bingman's. When asked to explain the earlier omission, Francisco merely stated the [sic] he had forgotten about those test. (Tr. at 208.)

Heil failed to produce any other witness, either from Heil or Bingman's, to corroborate Smith's testimony. Rea stated he did not observe any tests at Bingman's and, although a foreman at Bingman's was allegedly present during some of the testing, Heil did not adduce testimony from any other witness regarding testing. (Tr. at 83, 134-35, 207). The absence of additional witnesses is significant given the Board's indication that evidence of testing was critical to show Heil had reduced the invention to practice before Snyder filed its patent application.

Furthermore, inconsistencies exist in the evidence regarding alleged field testing of the containers. Francisco testified at trial that "test containers" were given to neighbors of the Heil plant in Phoenix in November or December 1981. One of those neighbors, Sharon Goolsby, emphatically testified in her deposition that the test container had only *two* hinges. Upon further questioning, she noted the container lid sometimes closed in a "cockeyed" position thereby leaving the container partially open and she speculated this problem was caused by the absence of a center hinge. (Goolsby Deposition at 38-39, 45).

In contrast, the prototype containers, about which Heil is seeking to establish reduction to practice, undeniably had *three* hinges. (PX-71). At trial, Francisco testified that Heil did not manufacture containers with *two* hinges until 1988.

Furthermore, on January 21, 1982, Rea noted in a memorandum to Francisco noting design changes including using "two hinges rather than 3 [sic]." (PX-8).

In short, I find the testimony adduced by Heil in support of its case for reduction to practice to lack credibility. The testimony is generally uncorroborated and inconsistencies have been revealed. In addition, Smith's failure to present any of this evidence during the interference proceedings is difficult to explain. These considerations, taken together, preclude me from finding the Board's decision to be in error.

I must note that the parties argued strenuously as to whether the "buckling" of the prototype sides precluded that container from embodying every element of the claimed invention. However, I do not find it necessary to decide that issue, as Heil failed to prove it had performed sufficient testing to have reduced the invention to practice regardless of the degree or significance of the buckling problem.

IV. DUE DILIGENCE

The second controverted issue challenges the Board's finding that Smith failed to exercise "due diligence" in developing his invention from a date just prior to July 20, 1981, to the subsequent reduction to practice. The Board held:

> "In our opinion, the evidence proffered by Smith falls far short of that which is necessary to establish reasonable diligence throughout the critical period. The entire critical period must be accounted for . . . [and] 'reasonably continuous activity' during the critical period must be shown which is directly related to actual or constructive reduction to practice of the invention in issue. Gaps of no activity must be explained and legally

> sufficient justification of inactivity established.
> . . .
>
> As pointed out by Snyder, an analysis of Smith's case for diligence reveals several distinct gaps or lulls in proven activity during the critical period of concern here. Most notably, there is a first lull in proven activity of about 2 1/2 months duration right at the beginning of the critical period between the receipt by Heil of a quote on a prototype mold (May 28, 1981) and the placement of an order for the mold (August 12, 1981). A 2 1/2-month aggregate of time devoid of any specific proven activity or excuse for inactivity is alone fatal to Smith's case for diligence. Additionally, there is an unexplained gap in activity between the making of an initial batch of prototype containers using the prototype mold (November 5, 1981) and the making of a so-called 'successful container' using an improved mold (December 7, 1981), a gap in activity of about one month. Moreover, there is very little evidence of any relevant activity, or excuse for inactivity, to account for the balance of the critical period, i.e., from December 7, 1981 through September 22, 1982, an apparent lull in activity of about nine months duration."

(Decision at 13-14 (citations omitted)).

After a *de novo* review of the new evidence adduced at trial, I find no error in the Board's decision as to Smith's failure to exercise due diligence. Although evidence of activity during November-December 1981, was presented at trial, Heil has offered no new evidence explaining the initial gap of 2 1/2 months. As noted by the Board, this gap is alone fatal to Heil's case. Consequently, whether due diligence was exercised during the latter gaps does not change the outcome, and my finding that Heil's new

evidence regarding prototype testing during that period lacked credibility is not dispositive of the issue.

V. "ON SALE" BAR

Furthermore, even if Heil had established priority by its timely reduction to practice or due diligence, the invention is unpatentable to Heil. Pursuant to 35 U.S.C. § 102(b), a duly filed application for a patent shall be granted unless "the invention was . . . on sale in this country, more than one year prior to the date of the application for patent in the United States." At least four identifiable policies underlie the on-sale bar:

> "First, there is a policy against removing inventions from the public which the public has justifiably come to believe are freely available to all as a consequence of prolonged sales activity. Next, there is a policy favoring prompt and widespread disclosure of new inventions to the public. The inventor is forced to file promptly or risk possible forfeiture of his invention rights due to third party sales. A third policy is to prevent the inventor from commercially exploiting the exclusivity of his invention substantially beyond the statutorily authorized 17-year period. The "on sale" bar forces the inventor to choose between seeking patent protection promptly following sales activity or taking his chances with his competitors without the benefit of patent protection. The fourth and final identifiable policy is to give the inventor a reasonable amount of time following sales activity (set by statute as 1 year) to determine whether a patent is a worthwhile investment. This benefits the public because it tends to minimize the fining [sic] of inventions of only marginal public interest. The 1-year grace period provided by Congress in § 102(b) represents a balance between these competing interests."

General Elec. Co. v. United States, 654 F.2d 55, 61 (Ct. Cl. 1981) (citations omitted).

In this case, the critical date as to Smith's application is September 22, 1981, one year prior to the filing of his patent application on September 22, 1982. It is undisputed that Heil submitted a bid to the City of Sacramento, California, on September 10, 1981, prior to the critical date, for the sale of 28,000 refuse containers. What is disputed is whether that offer to sell is sufficient to constitute a bar under section 102(b).

The Federal Circuit articulated the standard to be applied in determining whether an on-sale bar had occurred in *UMC Electronics Co. v. United States*, 816 F.2d 647, 657 (Fed. Cir. 1987). In *UMC*, the appellant sought to recover compensation from the United States for the Navy's use of its patented invention, an aviation counting accelerometer (ACA). UMC had offered to sell the Navy more than $1.6 million worth of its improved ACA on July 27, 1967. Demonstrations were conducted for the Navy on August 9, 1967. However, the patent application for this device was not filed until August 1, 1968, more than one year after the offer to sell. The court, reversing the claims court's decision, held that the patent which had been issued was invalid as barred by the prior offer to sell, pursuant to section 102(b).

The court in *UMC* focused on "[w]hether a reduction to practice was a requirement of the on-sale bar of 35 U.S.C. § 102(b)." *Id.* at 652. After analyzing prior cases dealing with the issue, the court concluded that, although reduction to practice was a factor to be considered, it was not a dispositive factor in determining whether an on-sale bar existed. *Id.* at 656. In addition, the court noted:

> "We hasten to add, however, that we do not intend to sanction attacks on patents on the ground that the inventor or another offered for sale, before the critical date, the mere concept

> of the invention. Nor should inventors be forced to rush into the Patent and Trademark Office prematurely. On the other hand, we reject UMC's position that as a matter of law no on-sale bar is possible unless the claimed invention has been reduced to practice in the interference sense."

Id.

In place of a rigid rule, the court noted that "[a]ll of the circumstances surrounding the sale or offer to sell, including the stage of development of the invention and the nature of the invention, must be considered." *Id.* To that end, the challenger must show that there was a definite offer to sell and that the item offered "fully anticipated the claimed invention or would have rendered the claimed invention obvious by its addition to the prior art." *Id.* No bar will be found where the inventor was still working toward development of the invention or merely offered a concept of the invention for sale. Neither will participation in experimental testing constitute a bar. *Id.* at 657.

In this case, the facts support a finding of an on-sale bar. Heil offered to sell containers more than one year before its patent application was filed. The development of the subject invention had advanced beyond "mere conception" at the time of the offer to sell. The mock-up container embodied the hinge-handle construction, the one element of the invention that was not yet part of the prior art. In addition, testimony presented before the Board revealed that at the time of the bid Heil supplied the City of Sacramento a bid bond in the amount of $300,000 and intended to perform the contract if awarded to them. (Senior Party Record at 281-82). Under the standard set in UMC, the fact that the mock-up was not rotationally molded is not enough to negate the effect of the other factors. *UMC*, 816 F.2d at 656 (subject matter offered for sale must have "fully anticipated the claimed invention or

would have rendered the claimed invention obvious by its addition to the prior art"). The level of commitment to this bid, in conjunction with the physical development as evidenced by the mock-up, indicates that Heil believed the invention would work and supports a finding that the invention was on sale within the meaning of section 102(b). *Id.*

VI. CONCLUSION

For the reasons stated in this memorandum, I will not disturb the Board's decision. Specifically, I find that (1) Heil did not reduce the hinge-handle container to practice until after the date of Snyder's constructive reduction to practice, (2) Heil failed to exercise due diligence in developing the invention from the time just prior to Snyder's date of conception until the date Smith filed his patent application, and (3) the invention is unpatentable to Heil as it was on-sale more than one year before Smith filed his patent application.

Dated December 6, 1991.

BY THE COURT

/s/ Warren K. Urbom
United States Senior District Judge

Final Hearing
August 23, 1988

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

Patent Interference No. 101,524

Smith v. Snyder et al.

Plastic Refuse Container

Application of Fred T. Smith, filed July 25, 1985, Serial No. 759,646. Accorded benefit of Serial No. 421,573, filed September 22, 1982.

Patent granted to Larry L. Snyder and Richard Florer on May 29, 1984, Patent No. 4,450,976, filed February 22, 1982, Serial No. 350,874.

Michael, Puerner, Gemignani, Clemency, Riteris, Buse, Beard, Smith and Lowe for Smith. Oral argument by Paul R. Puerner.

Schuyler, Banner, Birch, McKie, Beckett, Hoscheit, Tate, Potenza, Partridge and Cantor. Oral argument by Alan I. Cantor.

Boler, Caroff and J. Smith, Examiners-in-Chief.

Caroff, Examiner-in-Chief.

This interference involves an application of the junior party, Smith, and a patent of the senior party, Snyder et al (Snyder). The Smith application is assigned to Heil Co. (Heil), and the Snyder patent is assigned to Snyder Industries, Inc. (SII).

The subject matter involved in this interference relates to a portable molded refuse container with a hinged lid wherein a rod performs a dual function as a hinge component and a handle. The subject matter in issue is more particularly defined by the following count, which is the only count involved in the interference[1]:

A portable molded container with a hinged lid comprising:

> a container body having a bottom and an upstanding sidewall joined to said bottom, said bottom and said sidewall defining a container interior and said sidewall having an upper edge defining an opening into said interior;
>
> a lid having a cover portion adapted to overlie said opening:
>
> at least two transversely spaced hinge means for pivotally interconnecting said lid and said body, each of said hinge means comprising a body hinge portion extending laterally from said body near the upper edge of said sidewall, and a lid hinge portion extending laterally from said lid adjacent said body hinge portion; and
>
> a hinge rod extending between said hinge means and pivotally coupling the body hinge por-

---

[1] Following the convention adopted by senior party Snyder in its brief, the invention defined by the count will be referred to herein by using the shorthand expression "hinge-handle" container, design or construction.

> tion and the lid hinge portion of each of said hinge means, said hinge rod being rotatable with respect to each of said hinge portions and exposed in the region between said hinge means so that it can be grasped and function as a handle for manipulating the container.

The claims of the parties which correspond to this count are:

Smith: Claims 1-13

Snyder: Claims 1-15

Issues

The following issues were raised in the parties' briefs and, therefore, are the only issues before us for consideration[2]:

1. Whether Smith's alleged offer to sell 28,000 hinge-handle containers to the County of Sacramento more than one year before Smith's effective filing date renders Smith's involved claims unpatentable to him under 35 USC 102(b)/103.

2. Whether Snyder's alleged offers to sell hinge-handle containers to the County of Sacramento and to Municipal Equipment Sales and Leasing, Inc. more than one year before Smith's effective filing date renders Smith's involved claims unpatentable to him under 35 USC 102(b)/103.

3. Whether the description and drawing of Smith's hinge-handle container submitted with Smith's bid to the

---

[2] Issues relating to the question of whether the involved Smith claims are patentable under 35 USC 102(b)/103 were originally raised in a preliminary motion for judgment filed by Snyder on June 5, 1986 (Paper No. 8), and a decision on the motion was deferred to final hearing (Paper No. 11).

County of Sacramento became publicly available more than one year prior to Smith's effective filing date and thereby operate together as a printed publication that renders Smith's involved claims unpatentable to him under 35 USC 102(b)/103.

4. Whether evidence adduced by Smith, the junior party, is sufficient to establish a date of invention prior to Snyder's filing date.

5. If Smith is found to have established a date of invention prior to Snyder's filing date, whether Snyder has adduced sufficient evidence to establish an even earlier date of invention.

Both parties took testimony, submitted exhibits, filed briefs and appeared, through counsel, at final hearing.[3] No issue of interference-in-fact has been raised in this proceeding.

I. The Question of Whether the Smith Bid to Sacramento Constitutes An "On-Sale" Bar to Smith under 35 USC 102(b)/103

Snyder, as the party asserting an "on-sale" bar, bears the ultimate burden of persuasion on the issue. However, contrary to statements made by Smith in his reply brief (JPRB-9), the appropriate standard of proof in the context of the present interference, where the patentability of claims in a patent application has been challenged, is proof by a preponderance of the evidence. *In re Caveney*, 761 F.2d 671, 226 USPQ 1 (Fed.Cir. 1985).

There is no question that the Smith bid to the County of Sacramento (SPX-UU), hereinafter the "Smith-Sacra-

---

[3] The Smith testimony record, exhibits, brief and reply brief will hereinafter be respectively referred to as "JPR", "JPX", "JPB" and "JPRB" followed by an appropriate page or exhibit designation. The Snyder testimony, exhibits and brief will similarly be referred to as "SPR", "SPX" and "SPB".

mento bid", was submitted prior to the critical date of September 22, 1981 (SPR-250, 263) and related to hinge-handle containers (SPR 144-151, 268-69, 274-77). However, as recognized by Snyder, the bid, in order to constitute an "on-sale" bar, must also be shown to have been associated with the contemporaneous development of the subject invention significantly beyond the conception stage. *UMC Electronics Co. v. U.S.*, 816 F.2d 647, 2 USPQ2d 1465 (Fed.Cir. 1987). Snyder offers the following three alternative grounds for finding that all the requisite elements of an "on-sale" bar are present when the Smith-Sacramento bid is considered in conjunction with the prior construction, on or before May 20, 1981, of a so-called "mock-up" container (SPX-CC) at the behest of Heil management (JPR-9; SPR-174,245):

(1) In accordance with the rationale of the *UMC* case, supra, an actual reduction to practice of the subject invention is not an essential element of an "on-sale" bar and, therefore, Heil's commercial endeavor to sell hinge-handle containers coupled with the contemporaneous development of a "mock-up" are sufficient to bar Smith from obtaining a patent;

(2) Even if an actual reduction to practice were a prerequisite for an "on-sale" bar, the Smith-Sacramento bid functions as a statutory bar to Smith since the Smith submissions under 37 CFR 1.608(b) in effect constitute an admission that the so-called "mock-up" represented a reduction to practice of the subject invention;

(3) Even if an actual reduction to practice were a prerequisite for an "on-sale" bar, the Heil "mock-up" would satisfy that requirement.

We find the record less than persuasive regarding Snyder's contentions that the Heil "mock-up" constituted a complete reduction to practice of a hinge-handle container. Nevertheless, we find the "mock-up" adequate as evidence of a stage of development of the subject invention which

is sufficient to qualify the Smith-Sacramento bid as an operative "on-sale" bar to the patentability of Smith's involved claims in accordance with the rationale set forth in the *UMC* case.

As for the lack of a complete reduction to practice, we note, first of all, that there is a question as to whether the Smith "mock-up" meets the "molded" limitation of the count. In our view, this question has not been adequately addressed by either party. We are cognizant of the testimony which indicates that the lower half of the "mock-up" container body, and perhaps the lid, were of molded construction (SPR-151, 182, 234-35, 237-38). However, other portions of the "mock-up" evidently were not molded structures (SPR 94-95, 178-79, 237). Additionally, the contention that the "mock-up" was a reduction to practice is inconsistent with Snyder's argument (regarding Smith's case for priority) to the effect that Smith considered a reduction to practice to include the subsequent development of a successful rotational molding technique (SPB 34-36).

At any rate, it is our firm conviction that the record fails to establish that the Smith mock-up was sufficiently tested for utility under conditions of actual use to constitute a complete reduction to practice. In this regard, we note that the reduction to practice of a particular article of manufacture is generally not considered to be complete until that article is successfully tested to establish its utility. *Gordon v. Hubbard*, 347 F.2d 1001, 146 USPQ 303 (CCPA 1965). Clearly, the subject invention was designed to ultimately serve as a refuse container (JPR-7,9; SPR 178-179). While the "mock-up" evidently was maneuvered around by grasping its hinge rod-handle, and its lid was apparently opened and closed (SPR-98, 196, 200), there is no evidence that it was ever actually tested to determine whether it could be filled with refuse and subsequently inverted to empty the refuse out. Rough handling would no doubt be expected to occur during these conventional

operations. To establish a reduction to practice, it must be shown that the invention was tested for its intended purpose under conditions normally encountered in actual use, and expert opinion that the constructed item is "capable" of functioning as intended cannot be utilized to cover a deficiency in evidence. *Paine v. Inoue*, 195 USPQ 598 (Bd.Pat.Int. 1976). Here, not only do we have a lack of sufficient evidence of actual testing but we also have contradictory testimony as to whether the "mock-up" was even capable of functioning in a conventional manner as a refuse container (SPR 179-80, 199-200; JPR-13).

Further, we cannot find the "mock-up" to be an admitted reduction to practice of the invention in issue based upon the § 1.608(b) submissions of Smith since there is no provision in the rules for a reversion to the summary judgment stage of the proceedings at the behest of the patentee once that stage has been passed. Cf. *Walsh v. Sakai*, 167 USPQ 465 (Comm'r 1970). Additionally, it is noted that the affidavits submitted by Smith under § 1.608(b) do not even appear to have been introduced into evidence pursuant to 37 CFR 1.671(e).

In view of the foregoing, we conclude that the Smith "mock-up", while representing something less than a complete reduction to practice of the invention offered for sale, nevertheless serves as proof that development of the subject invention had proceeded beyond a mere conception at the time of the Smith-Sacramento bid. Testing of the hinge rod-handle on the mock-up demonstrated to the satisfaction of the inventor that that particular component would work as intended to perform a dual function. Other Heil personnel were convinced that they "could produce a good container" (SPR-320). Commitments made in the bid itself, i.e. bid bond, performance bond, seven-year warranty on refuse containers, specific delivery schedule and liquidated damages clause for late delivery (SPX-UU, page 41, 82-83), are objective manifestations of the confidence at Heil that the company would deliver on its offer if accepted.

Thus, we are satisfied that Snyder has established an "on-sale" bar against the patentability of Smith's involved claims by a preponderance of the evidence based upon commercial exploitation of the subject invention (as manifested by the Smith-Sacramento bid), at a stage of development of the invention beyond mere conception, more than one year before Smith's effective filing date. *UMC Electronics Co. v U.S.*, supra.

As for the argument by Smith that the bid for containers was made with little expectation that it would be accepted, we note that the testimony relied upon to support this argument (SPR-271, 284) does not establish that there was absolute certainty of a rejection. Instead, the witness (Warren) stated that he believed Heil "probably" would not be the successful bidder. Submission of the bid is objective evidence that Heil personnel entertained some expectation, however slight, of a sale. An offer to sell is sufficient to invoke the statutory bar whether the offer is ultimately accepted or not. *In re Caveney*, supra.

For the sake of completeness, we shall now proceed to address the other issues raised by Snyder under 35 USC 102(b) even though the involved claims of Smith have already been found, supra, to be unpatentable to him under the same section of the statute.

II. The Question of Whether Snyder's Alleged Offers of Sale Constitute an "On-Sale" Bar to Smith under 35 USC 102(b)/103

We approach this question in a manner very similar to that which we employed in connection with our previous discussion of the "on-sale" bar relating to the Smith-Sacramento bid. First, however, we must resolve the dispute as to whether the evidence adduced by Snyder supports a conclusion that the alleged offers of sale by Snyder were actually made prior to the critical date of September 22, 1981.

Snyder need only establish an offer of sale by a preponderance of the evidence, i.e. that the existence of the contested fact is more probable than its nonexistence. *In re Caveney*, supra; *Photis* v. *Lunkenheimer*, 225 USPQ 948 (Bd.Pat.Int. 1984). We are convinced that this burden has been satisfied. Snyder testified that the offers in question were mailed on September 10, 1981 and September 18, 1981, respectively, and were accompanied by a drawing (SPR 5-6). The testimony is supported by documentary evidence (SPX-N,O,P). In our opinion, the evidentiary materials proffered by Snyder constitute *prima facie* evidence of the fact that offers of sale were mailed on behalf of SII on or about the dates indicated and related to containers resembling the hinge-handle design of the count. Smith has presented no evidence to the contrary.

As noted previously, the state of development of an invention at the time of an offer of sale is critical to resolution of an "on-sale" issue, as is the commercial exploitation exemplified by the offer itself. Concerning the state of development of the subject invention at the time of the Snyder offers of sale, the senior party relies on its alleged July 20, 1981 reduction to practice, i.e., its so-called "mock-up" container (SPB 29-30; SPR-3,26,59).

As with the Smith "mock-up", we find that activities at SII relating to construction and testing of the Snyder "mock-up" represent something less than a complete reduction to practice of a hinge-handle container. Nevertheless, we find that the Snyder "mock-up" exemplifies a state of development which, when coupled with Snyder's offers of sale, establishes that the invention claimed by Smith was "on sale" within the meaning of 35 USC 102(b)/103.

As for the lack of a complete reduction to practice, we note that there is a question as to whether the Snyder "mock-up" meets the "molded" limitation of the count. Indeed, we find nothing in the record which indicates that

any significant portion of the mock-up was of molded construction, Snyder's arguments to the contrary notwithstanding. At any rate, in our view the record fails to establish that the Snyder mock-up was sufficiently tested under conditions normally encountered in actual use to constitute a complete reduction to practice. Clearly, the subject invention was designed to serve as a refuse container (SPR-3,26,59). While the Snyder "mock-up" was maneuvered around by use of its hinge rod-handle and its lid was opened and closed (SPR-60), there is no evidence that it was ever actually tested as a refuse container to determine whether it could be filled and emptied of refuse using anticipated or conventional handling procedures.

While representing something less than a complete reduction to practice, the Snyder "mock-up" nevertheless serves as proof that development of the subject invention had proceeded significantly beyond the conception stage at the time Snyder offered hinge-handle containers for sale. The mock-up container was constructed by Kennedy under the direction of co-inventor Florer and, for the most part, apparently embodied the hinge-handle design of the count (SPP 59-60; SPX-N). Testing of the hinge rod-handle on the mock-up demonstrated to the satisfaction of those involved that that particular component would operate as intended to perform the dual function of a hinge and a manipulating handle (SPR-26,60). Those involved were apparently convinced that the "mock-up" was capable of functioning as a refuse container and that a hinge-handle container could be readily manufactured on a commercial scale using a conventional rotational molding technique (SPR-4, 26-27, 60). Thus, in accordance with the policy considerations delineated in the *UMC* case, we are satisfied that Snyder's offe of sale prior to the critical date constitute an "on-sale" bar as to Smith's involved claims when the offers are viewed in conjunction with the state of development of the subject invention at SII at the time.

III. The Question of Whether the Smith-Sacramento Bid Papers Constitute a "Printed Publication" under 35 USC 102(b)/103

We agree with Smith that the description and drawing of a hinge-handle container which were submitted along with the Smith-Sacramento bid (SPX-UU, pages 3, 80, 87) have not been shown to operate together as a printed publication within the meaning of 35 USC 102(b).

As recognized by Snyder, public accessibility is the touchstone in determining whether a reference constitutes a "printed publication" bar under section 102(b) of the statute. *In re Hall*, 781 F.2d 897, 228 USPQ 453 (Fed.Cir. 1986). The only testimony relating to the issue of public accessibility was given by Warren, a Heil marketing manager. According to Warren, the bid in question "was opened" on September 10, 1981 and, "by law", when bids are opened "the bid amounts" are read "as bid in a public bid offering" (SPR 285-86). We find this testimony deficient since there is nothing to indicate that standard procedure or regulations required that the entire bid package, and not merely the "bid amount", be made available to the public when a bid is opened. Further, the "law" referred to by Warren has not been clearly identified, nor has it been introduced into evidence. In this regard, see 37 CFR 1.682. In other words, we find no indication in the record that the particular portions of the Smith-Sacramento bid package relating to hinge-handle container design were disseminated or otherwise accessible to the public in the twelve-day period between September 10, 1981, when the bid was opened, and September 22, 1981, the critical date.

For the foregoing reasons, we conclude that Snyder has failed to establish that the bid papers in issue constituted a printed "publication" within the meaning of the patent statute.

Although we have already determined that Smith is not entitled to a patent containing his claims corresponding to the count, we nevertheless shall proceed to resolve the issue of priority. *Kwon v. Perkins*, 6 USPQ2d 1747 (Bd.Pat.App.Int. 1988).

IV. Smith's Case for Priority

Smith, the junior party, has the burden of proving prior inventorship by a preponderance of the evidence. *Peeler v. Miller*, 535 F.2d 647, 190 USPQ 117 (CCPA 1976). To establish prior inventorship, Smith apparently relies on an interoffice memorandum (JPX C-3; JPR-4, paragraph 17) which is said to evidence an actual reduction to practice of the invention in issue by December 7, 1981 (JPB-5,6-7). Alternatively, assuming Smith was not the first to reduce the invention to practice while admittedly being the first to conceive (SPB-3), Smith seeks to establish prior inventorship by showing that he proceeded with reasonable diligence to reduce the invention to practice from a time just prior to conception by Snyder.

After carefully considering the entire record before us in light of the opposing arguments of counsel in the briefs and at final hearing, we find that we agree for the most part with the views expressed in Snyder's brief regarding a lack of legally sufficient evidence in Smith's record of either a prior reduction to practice or of the requisite diligence to establish prior inventorship.

First of all, as to the alleged December 7, 1981 reduction to practice by Smith, no evidence has been presented that the containers referred to in the aforementioned interoffice memorandum embodied all the elements of the count. Any device relied upon for an actual reduction to practice must satisfy all the limitations of the count. *Fredkin v. Irasek*, 397 F.2d 342, 158 USPQ 280 (CCPA), *cert. denied*, 393 U.S. 980, 159 USPQ 799 (1968).

Furthermore, the record is devoid of any evidence that the containers in question were ever actually tested as

refuse containers under conditions normally encountered in use. As previously discussed, we consider such testing essential to establish a reduction to practice of the invention in issue. *Paine v. Inoue*, supra.

Moreover, as pointed out by Snyder (SPB 34-36), Smith apparently considered that a reduction to practice would include successful production of a hinge-handle container by a rotational molding technique (SPR-99,104). This consideration is inconsistent with the allegation of a successful reduction to practice by December 7, 1981 since molding problems relating to buckling of containers (SPR-89, 90, 102-104) persisted well beyond that date (JPX C-4,C-5). Indeed, a solution to the buckling problem, involving use of expansion joints, was apparently not even proposed until February 19, 1982 (SPR-90, JPR-6; JPX C-7, C-9); and there is no indication in the record that this solution was embodied in a functional hinge-handle container prior to the senior party's filing date.

As for diligence, we must first determine Snyder's conception date. To establish a conception of the invention in issue by October 25, 1980, Snyder relies on drawings SPX-B, C and D together with the testimony of co-inventors Snyder and Florer. We find this evidence insufficient to establish conception by the date alleged since the inventors' testimony stands uncorroborated. *Reese v. Hurst*, 661 F.2d 1222, 211 USPQ 936 (CCPA 1981); *Mikus v. Wachtel*, 542 F.2d 1157, 191 USPQ 571 (CCPA 1976). However, Smith appears to admit that Snyder has proven conception at least by sometime in July 1981 (JPB-8), and there is ample evidence to substantiate a conception by no later than July 20, 1981 (SPR-57, 59-60; SPX-H,N). Accordingly, with regard to the question of Smith's diligence, the critical period which must be accounted for begins *just prior* to about July 20, 1981, Snyder's accepted conception date, and runs to September 22, 1982, Smith's effective filing date and the only date which we find that Smith can rely upon for reduction to practice. 35 USC 102(g).

In our opinion, the evidence proffered by Smith falls far short of that which is necessary to establish reasonable diligence throughout the critical period. The entire critical period must be accounted for. *Griffith v. Kanamaru*, 2 USPQ 2d 1361 (Fed.Cir. 1987). *Gould v. Schawlow*, 363 F.2d 908, 150 USPQ 634 (CCPA 1966). It is well settled that to satisfy the reasonable diligence requirement of 35 USC 102(g), "reasonably continuous activity" during the critical period must be shown which is directly related to actual or constructive reduction to practice of the invention in issue. *Burns v. Curtis*, 172 F.2d 588, 80 USPQ 587 (CCPA 1977), *cert. denied*, 439 U.S. 826, 200 USPQ 64 (1978). Gaps of no activity must be explained and legally sufficient justification of inactivity established. *In re Nelson*, 420 F.2d 1079, 164 USPQ 458 (CCPA 1970). General statements by the inventor to the effect that there were no weeks or months that he did not work on the involved invention is not enough to show diligence, absent supporting facts showing specifically what was done and when it was done. *Gould v. Schawlow*, supra.

As pointed out by Snyder (SPB 38-41), an analysis of Smith's case for diligence reveals several distinct gaps or lulls in proven activity during the critical period of concern here. Most notably, there is a first lull in proven activity of about 2 1/2 months duration right at the beginning of the critical period between the receipt by Heil of a quote on a prototype mold (May 28, 1981; SPX-PP) and the placement of an order for the mold (August 12, 1981; JPR-10). A 2 1/2-month aggregate of time devoid of any specific proven activity or excuse for inactivity is alone fatal to Smith's case for diligence. Additionally, there is an unexplained gap in activity between the making of an initial batch of prototype containers using the prototype mold (November 5, 1981; JPR-10) and the making of a so-called "successful container" using an improved mold (December 7, 1981; JPR-4; JPX C-3), a gap in activity of about one month. Moreover, there is very little evidence of any rel-

evant activity, or excuse for inactivity, to account for the balance of the critical period, i.e., from December 7, 1981 through September 22, 1982, an apparent lull in activity of about nine months duration.

In summary, we find the Smith record insufficient to establish either a reduction to practice of the invention in issue prior to Snyder's filing date or the requisite degree of diligence during the critical period of concern here.

V. Snyder's Case for Priority

Snyder is entitled to prevail on the issue of priority since we have found that Smith, the junior party, has not satisfied his burden of proving prior inventorship. However, for the sake of completeness we note that Snyder's own case for priority, which relies upon the Snyder "mock-up" for an actual reduction to practice, has been found to be unconvincing for reasons which have been set forth in section II above.

Judgment

For the foregoing reasons, judgment as to the subject matter of the count in issue is hereby awarded to Snyder et al, the senior party.

Accordingly, (1) Larry L. Snyder and Richard Florer are entitled to their patent containing claims 1-15 which correspond to the count; and (2) Fred J. Smith, the junior party, is not entitled to a patent containing his claims 1-13 corresponding to the count.

/s/ James R. Boler
James R. Boler
Examiner-in-Chief

/s/ Marc L. Caroff
Marc L. Caroff
Examiner-in-Chief

/s/ John D. Smith
John D. Smith
Examiner-in-Chief

BOARD OF PATENT APPEALS AND INTERFERENCES

SUPREME COURT OF THE UNITED STATES

No. A-40

Snyder Industries, Inc.,

Petitioner

v.

The Heil Company

ORDER

UPON CONSIDERATION of the application of counsel for the petitioner,

IT IS ORDERED that the time for filing a petition for a writ of certiorari in the above-entitled case, be and the same is hereby, extended to and including August 24, 1993.

/s/ William H. Rehnquist
Chief Justice of the United States

Dated this 13th
day of July, 1993.

Supreme Court, U.S.
FILED
SEP 20 1993
OFFICE OF THE CLERK

No. 93-290

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

SNYDER INDUSTRIES, INC.,

Petitioner,

v.

THE HEIL COMPANY,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENT'S OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

GEORGE P. MCANDREWS*
JOHN J. HELD
ROBERT C. RYAN
STEVEN J. HAMPTON
PRISCILLA F. GALLAGHER
MCANDREWS, HELD & MALLOY
500 W. Madison St.
34th Floor
Chicago, Illinois 60661
(312) 707-8889

Counsel for Respondent

*Counsel of Record

QUESTION PRESENTED

The Federal Circuit's unpublished decision under review does not present any issue even arguably resembling the petitioner's "Question Presented."[1] The only question fairly presented by that decision is whether, in reviewing the admittedly substantive and legal issue of interference count construction, the Federal Circuit's fact-specific construction of the interference Count in issue (to set forth the intended use of the invention as a "container," as stated in the interference Count) was legally erroneous on the unique facts of this case.

---

[1] The petitioner's appendix reproduction of the Federal Circuit's opinion deleted, and its Petition never otherwise informs the Court about, the statement on the face of the opinion: "NOTE: Pursuant to Fed. Cir. R. 47.8 ["not having precedential value"], this disposition is not citeable as precedent. It is a public record. The disposition will appear in the tables published periodically."

RULE 29.1 LIST OF PARENT AND SUBSIDIARY COMPANIES

The Heil Company has no parent company and no subsidiary companies that are not wholly owned.

TABLE OF CONTENTS

		PAGE
QUESTION PRESENTED		i
RULE 29.1 LIST		ii
TABLE OF AUTHORITIES		iv
I.	The Petitioner's "Question Presented" Is Not Presented By The Federal Circuit's Unpublished Decision In This Case	3
II.	Petitioner Inaccurately Represents The Facts As Well	6
III.	The "Question Presented" Is Waived Since Petitioner Did Not Raise Any Such Question And Arguments Below	9
IV.	Petitioner's Novel "Entire Record" Rule Would Create Numerous Conflicts And Impractical Results	10
V.	The Petition's "Statutes Involved" Section Fails To Set Forth The Most Fundamental Of The Statutes Involved In This Case	14
CONCLUSION		15

TABLES OF AUTHORITIES

CASES	PAGE(S)
Barmag Barmer Maschinenfabrik v. Murata Machinery Ltd., 731 F.2d 831 (Fed. Cir. 1984)	12
Case v. CPC International, Inc., 730 F.2d 745 (Fed. Cir. 1984)	8,14
DSL Dynamic Sciences, Ltd. v. Union Switch & Signal, Inc., 928 F.2d 1122 (Fed. Cir. 1991)	3
Duignan v. United States, 274 U.S. 195, 47 S.Ct. 566 (1927)	10
Gordon v. Hubbard, 347 F.2d 1001 (C.C.P.A. 1965)	11
Hoover Co. v. Coe, 325 U.S. 79, 83, 65 S.Ct. 955 (1945)	8,14
Hradel v. Griffeth, 367 F.2d 851 (C.C.P.A. 1966)	11,12
Hybritech, Inc. v. Monoclonal Antibodies, Inc., 802 F.2d 1367 (Fed. Cir. 1986), *cert. denied*, 480 U.S. 947 (1987)	10
Mattor v. Coolegem 530 F.2d 1391 (C.C.P.A. 1976)	3
Miree v. DeKalb County, Georgia, 433 U.S. 25, 97 S.Ct. 2490 (1977)	10
Orikasa v. Oonishi, 10 U.S.P.Q.2d 1996 (Comm'r Pat. & Tm. 1989)	8
CONSTITUTIONAL AND STATUTORY PROVISIONS	
U.S. Const. Art. 1 § 8 cl. 8	13
35 U.S.C. § 101	11
35 U.S.C. § 102(b)	13
35 U.S.C. § 102(g)	3,7
35 U.S.C. § 135(a)	7
35 U.S.C. § 141	8
35 U.S.C. § 146	3,8,14,15
35 U.S.C. § 291	7

RULES

Fed. Cir. R. 47.8 i
37 C.F.R. § 1.604 8
37 C.F.R. § 1.605 8
37 C.F.R. § 1.607 6
37 C.F.R. § 1.610 8
37 C.F.R. § 1.611 8
37 C.F.R. § 1.633(c) 8

OTHER

3 Donald S. Chisum, *Patents* § 10.06 [2][c], p. 10-132 (1991) 11
1153 *Official Gazette of the United States Patent and Trademark Office* 113-14 (Aug. 31, 1993) 11

I. The Petitioner's "Question Presented" Is Not Presented By The Federal Circuit's Unpublished Decision In This Case

The parties agree that their dispute centers on whether the respondent proved that it was the first to reduce to practice a "container" invention (the subject matter of the interference Count) and thus was the first to invent that "container" invention under 35 U.S.C. §§ 102(g), 146. (Pet. 2-6, 15 n.5.) The parties also agree that this reduction to practice inquiry requires a determination of (i) the "intended use" or purpose of the subject matter (invention) of the interference Count and (ii) whether the respondent was the first to demonstrate workability of that subject matter for the pertinent intended use or purpose. (*Id.*) This entire inquiry begs the question: "demonstration of a use intended by whom or what?"

Late in its Petition, the petitioner repeatedly states it's pivotal legal argument: "*If the intended use of the invention is not set forth in the Count*, the [Patent Office] Board looks to the entire record to discern what the intended purpose was." (Pet. 13 (emphasis added); *see also* 14.) Notwithstanding the fact that the Petition cites not a single authority stating its "entire record" argument, the petitioner's own statement contains a critical qualification — an introductory "*if*" clause — that was held dispositive below, that the Petition ignores, and that renders the petitioner's "Question Presented" irrelevant in this case.

The petitioner's own qualification itself precludes looking to the "entire record" "*if* the intended use *is* set forth in the Count." (*Id.*) Thus, as the petitioner also urged below and as has long been the law, the appropriate "intended use" is the use *intended by the Count* when set forth in the Count. *E.g., DSL Dynamic Sciences, Ltd. v. Union Switch & Signal, Inc.*, 928 F.2d 1122, 1125 (Fed. Cir. 1991); *Mattor v. Coolegem*, 530 F.2d 1391, 1395 (C.C.P.A. 1976); Ct. App. JA 2201-03.

The petitioner does not challenge the Federal Circuit's holding that the "[i]nterpretation of a Count is a question of law,

which [the Federal Circuit] reviews *de novo*." (Pet. 4, 3a.) Performing its proper review under this undisputed rule of law, the Federal Circuit interpreted the Count in this case to expressly state that the intended use, i.e., the "utility," of the Count subject matter was as a "'container,' without any reference to use as a *refuse* container." (Pet. 3a (emphasis in original).)

If there were any ambiguity about it — which the Federal Circuit held there was not — then under traditional rules of interference count construction, "the courts must look 'to the specification from which the copied Count came.'" (Pet. 3a-4a.) The petitioner's patent specification, from which the Count was copied, stated that its invention was not limited to any particular type, size, or shape of container. (Pet. 4a; Ct. App. JA 2681.) The Federal Circuit therefore held: "[petitioner's] patent, and therefore the Count, do not limit the invention to use as only a refuse container."[2] (Pet. 4a.)

Since the Federal Circuit interpreted the Count to set forth the intended use as a "container," not any particular type of container, the Federal Circuit held that the district court "erred in reading such a limitation [a non-stated "use as a *refuse* container"] into the Count." (Pet. 3a (emphasis in original); *see also* 4a.) The Federal Circuit did not hold that a district court or the Patent Office Board of Patent Appeals and Interferences could never look beyond any count to determine an intended use; and nowhere does the petitioner either quote or identify any such holding in the Federal Circuit's decision. The Federal Circuit merely held that, on the particular facts in this case, it was legal error to look beyond the particular *Count in issue* because that Count set forth the pertinent intended use in this case. (Pet. 3a-4a.) The petitioner does not challenge the Federal Circuit's holding that the respondent was the first to reduce to practice if, as the Federal Circuit held, the intended use was as set forth in the Count — as a "container." (Pet. 8, 4a-5a.)

---

[2] Regarding the petitioner's inaccurate representation of the source of the Count and content of the petitioner's patent specification, see p. 6-7 *infra*.

What is really happening here is:

1. the petitioner first ignores the Federal Circuit's legal construction of the petitioner's *own patent claim* (the Count) under the *admitted rule of law* that the pertinent intended use is that *intended by the Count* when set forth in the Count (Pet. 5, 13, 14) ; and

2. by thus ignoring this narrow, fact-specific, count-interpretation holding by the Federal Circuit, the petitioner has conjured a hypothetical "Question Presented" that seeks to place the cart (the determination of intended use) before the horse (legal construction of the Count) to eliminate the horse (construction of the Count) from the "Question Presented." In this manner, the petitioner seeks to impose an ad hoc, unpredictable, and unprincipled review of "the entire record" in place of an age-old, admittedly correct count construction rule followed by the Federal Circuit in this particular case.

In other words, the petitioner is asking this Court to decide a "Question Presented" that is not presented by the judgment under review and that has been mooted by the Federal Circuit's application of admittedly proper rules of count interpretation to the unique facts of the petitioner's patent specification and the Count in this case. The petitioner's parade of could-be-terribles about a hypothetical 'never-beyond-the-count' rule that the Federal Circuit did not announce, has no relevance to the narrow, fact-specific (thus unpublished) count-interpretation judgment in this case.

II. Petitioner Inaccurately Represents The Facts As Well

The Petition is replete with incorrect and materially incomplete statements of fact.

Petitioner's Representation	The Fact
"Thus in this case, the *examiner drafted* a 'count,' later adopted by the Board, that was modeled after one of Snyder's claims and against which the interference would be judged." (Pet. 5 (emphasis added); see also i, 6, 9, 14, 15, 23, 24, 26.)	The *petitioner drafted* the claim and included it as a claim in its patent specification. (Ct. App. JA 2681-82.) Upon learning of it, the respondent copied the petitioner's claim verbatim and asked the patent examiner to declare an interference under 37 C.F.R. § 1.607. (*Id.* at 2451-54.) The petitioner and the Patent Office agreed and accepted the petitioner's patent claim as the Count in interference. (*Id.* at 539-41.)
The Federal Circuit "*ignor[ed]* . . . Snyder's patent"; "The [petitioner's] application made *no reference* to a general purpose utility . . . . . of the container"; and "there was *no evidence* that any other use [than as a refuse container] was intended." (Pet. 8, 4, 7 (emphasis added); see also 4, 5, 10, 13, 15-16, 17, 22, 23, 25-26).	The Federal Circuit *quoted* from the petitioner's patent specification, which: (i) "describes the invention as 'relat[ing] *generally to containers* and in particular, to a molded, wheeled container with a hinged lid'"; and (ii) stated that use of the container for "refuse" was only one use for which the invention was "particularly well suited." (Pet. 4a (emphasis added).) Also, petitioner's patent specification is broadly

entitled, "Wheeled Molded Container With Hinged Lid," and emphasizes that "it is to be understood . . . that the principles of the invention are applicable to containers of any practicable size and shape." (Ct. App. JA 2681.) In addition, the Count, which petitioner drafted, claimed use as a "container" generally. "Thus," held the Federal Circuit, "Snyder's patent, and therefore the Count, do not limit the invention to use only as a refuse container." (Pet. 4a.) Also, respondent's inventor testified at trial that his personal intended use was not limited to, or even primarily directed to, "refuse collection"; his goal was to create "just a handy container" of "all types of things." (Ct. App. JA 208-11.)

"Congress has expressly vested in the Board of Patent Appeals and Interferences the responsibility to determine the priority of inventions. 35 U.S.C. § 135(a)." (Pet. 9; see also 11-12.)

The U.S. courts have independent responsibility to resolve the same issue via (i) 35 U.S.C. § 291 (interference litigation between two patentees), (ii) 35 U.S.C. § 102(g) (defense to a patent infringement action), and (iii) as here but curiously excluded from the Petition's "Statutes Involved" section,

35 U.S.C. § 146 — a unique district court proceeding having "the hybrid nature of an appeal and a trial de novo." *Case v. CPC International, Inc.*, 730 F.2d 745, 752 (Fed. Cir. 1984). These types of actions are alternatives to and different from a conventional appeal of a Patent Office Board determination directly to the Federal Circuit under 35 U.S.C. § 141. *See Hoover Co. v. Coe*, 325 U.S. 79, 83, 65 S.Ct. 955, 957 (1945).

"The Board will no longer be able to view its own count as simply the starting point for discharging its statutory responsibilities — a definition of what the invention is, not what it is to be used for. [Note the Petition's lack of citation to authority.] Instead, the formulation of the count will be the critical step in the Board's process of deciding intended use . . . ." (Pet. 15.) "The Federal Circuit . . . simply substituted its view of appropriate procedure under the statute for that of the Board." (Pet. 24, see also 9-10, 11, 13-14, 16, 20, 21, 25, 26.)

Revealingly, the Petition nowhere identifies a single procedural rule even arguably altered by the Federal Circuit's unpublished decision in this case. In fact, the count is not just a "starting point" and is often reformulated at various stages of the interference proceeding to ensure it is correct. See, e.g., *Orikasa v. Oonishi*, 10 U.S.P.Q.2d 1996, 2004 (Comm'r Pat. & Tm. 1989); 37 C.F.R. §§ 1.604-05, 1.610-11, 1.633(c). Thus, as the Petition concedes without explanation but then defies throughout, the interference count has long been "*the vehicle for* contesting priority of invention and *determining*

what evidence is relevant to the issue of priority." (Pet. 12, quoting and string citing Federal Circuit and C.C.P.A. cases (emphasis added).) Accordingly, the Federal Circuit's holding (that the district court mis-construed the Count and as a result mis-determined what evidence was relevant to priority) is nothing new and changes not a single rule of practice before the Board. (Pet. 3a-5a.)

III. The "Question Presented" Is Waived Since Petitioner Did Not Raise Any Such Question And Arguments Below

In both the district court and the Federal Circuit, the respondent argued that the intended use should be determined by reference to the Count. Never — not once — in the courts below did the petitioner argue that its "entire record" rule should govern because the Federal Circuit does not have the authority to establish the appropriate legal standard for determining the pertinent intended use. Never in the courts below did the petitioner argue that, if the intended use was held to be as a "container," as set forth in the Count, the Federal Circuit would be altering the Patent Office Board's internal procedures. (The Federal Circuit would know better.) Indeed, before the Patent Office Board, the petitioner itself conceded exactly the opposite of what it is now urging this Court: "For purposes of analyzing whether a reduction to practice occurred . . . only the count needs to be considered." (Ct. App. JA 2201.)

Prior to filing the present Petition, the petitioner also did not deny that, as the respondent stated in its opening brief to the Federal Circuit, count interpretation is a question of interference law, reviewable *de novo* by the Federal Circuit. Similarly,

not once below did the petitioner disagree that, as was also stated in the respondent's opening Federal Circuit brief, the determination of whether given activity constitutes a reduction to practice is also a question of law, freely reviewable by the Federal Circuit. *E.g., Hybritech, Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1376 (Fed. Cir. 1986), *cert. denied*, 480 U.S. 947 (1987) (Adequacy of reduction to practice is a question of law reviewed *de novo* on appeal). These fundamental rules of interference law, ignored by the Petition and not challenged in the court below, each independently provide complete answers to the petitioner's Johnny-come-lately "Question Presented" and agency-interference arguments.

"This court sits as a court of review. It is only in exceptional cases coming from the federal courts that questions not pressed or passed upon below are reviewed." *Duignan v. United States*, 274 U.S. 195, 200, 47 S.Ct. 566, 568 (1927). There is nothing exceptional about this case within the meaning of *Duignan*. The Petition is silent on the point.

In *Miree v. DeKalb County, Georgia*, 433 U.S. 25, 33-34, 97 S.Ct. 2490, 2496 (1977), this Court held:

> The fact that the asserted basis of liability is so obviously an afterthought may be some indication of its merit, but since it was neither pleaded, argued, nor briefed either in the District Court or in the Court of Appeals, we will not consider it.

The present Petition deserves the same fate.

IV. Petitioner's Novel "Entire Record" Rule Would Create Numerous Conflicts And Impractical Results

Again, the petitioner's central argument is that "If the intended use of the invention is not set forth in the Count, the Board looks to the entire record to discern what the intended purpose was." (Pet. 13; see also, e.g., i, 9, 14.) The "entire record" aspect of this statement is wrong, and the petitioner cites not a single statute, case, rule, or even secondary authority that

so states. (*Id.*) If adopted, such a rule would create conflicts and impractical results.

For example, the Petition also does not inform the Court:

> It is, of course, well settled that when an interference count does not specify any particular use, evidence proving substantial use *for any purpose* is sufficient to establish reduction to practice.

Gordon v. Hubbard, 347 F.2d 1001, 1006-07 (C.C.P.A. 1965) (emphasis added). *Accord,* 3 Donald S. Chisum, *Patents* § 10.06 [2][e], at 10-132 (1991) (hereinafter Chisum) ("It is *settled* that an inventor can reduce to practice by showing operability for any purpose that will satisfy the utility requirement [of 35 U.S.C. § 101] unless the invention is actually defined in terms of use." (emphasis added)); *Hradel v. Griffeth,* 367 F.2d 851, 854-55 (C.C.P.A. 1966) (any substantial utility, not the inventor's ultimate commercial aim, is the test for reduction to practice).

As noted above, the petitioner does not challenge the Federal Circuit's holding that the respondent was the first to make its invention (the so-called "mock-up") and demonstrate utility for its invention as a container. (Pet. 8, 4a-5a.) Thus, even if the Federal Circuit's legal construction of the Count were wrong and if the Count did not set forth the intended use, the respondent still would be the first to reduce to practice and invent, as a matter of law, since it is uncontested that the respondent was the first to demonstrate utility for "any purpose," i.e., as a general purpose, hinge-handle container. *Id.; Gordon,* 347 F.2d at 1006-07, *Hradel,* 367 F.2d 853-55; Chisum, *supra,* § 10.06 [2] [e], at 10-132. Accordingly, it is the petitioner's unsupported "entire record" rule, not the Federal Circuit's decision, that would create conflict with law the courts and commentators have long recognized as "settled" (*id.*) in an area of patent law that may soon become extinct. *See, e.g.,* 1153 *Official Gazette of the United*

States Patent and Trademark Office 113-14 (Aug. 31, 1993) (proposed harmonization of the U.S. patent statutes will grant patents to the first to file a patent application (as in most foreign countries) rather than to the first to invent).

The petitioner's "entire record" rule also would provide no guidance whatsoever and is really an invitation for interfering applicants to unpredictably litigate as much as possible over how lofty each inventor's personal goals really were. It has long been the law that "there is no requirement for a reduction to practice that the invention, when tested [in the pertinent intended use], be in a commercially satisfactory stage of development." *Barmag Barmer Maschinenfabrik v. Murata Machinery Ltd.,* 731 F.2d 831, 838 (Fed. Cir. 1984); Ct. App. JA 203-04; *see also Hradel,* 367 F.2d 854-55 (inventor's ultimate commercial aim not the test). The gap between a sufficient demonstration of "any utility" of the subject matter of the count and that for each inventor's subjectively preferred embodiment (nearly always a commercially perfected embodiment) will usually be vast. Yet when the *sine qua non* of the intended use determination is a decision based on an unguided review of the "entire record," how can one determine, without full blown litigation, at which point in time the utility demonstration became sufficiently adequate for an inventor's subjectively "intended use" even if not for the inventor's preferred, commercially perfected embodiment of the invention? Without litigating the issue to unappealable conclusion, no one could determine whether a demonstration of workability beyond recognition of "any utility" and short of commercial perfection is adequate to establish reduction to practice. The "entire record" rule would provide no guidance and would impose exactly this unpredictable situation on all interference and prior-invention litigation.

Finally, under an "entire record" rule, the standard for a reduction to practice of *the same claimed invention* would vary greatly from inventor to inventor depending upon the subjectively preferred, end use for each contestant. Such a rule would severely penalize the inventor who sets up high goals for the use

of her or his invention, since the only way for that inventor to demonstrate reduction to practice would be to show that the state of development had achieved the inventor's loftier goals. Rather than serving the Constitutional purpose of the patent laws, "To promote the Progress of Science and useful Arts," such an "entire record" rule would reward those who seek mediocrity or less and attain it. U.S. Const. Art. 1 § 8 cl. 8.

Thus, even if the intended use were not set forth in the Count, the petitioner's "entire record" rule would be impractical as well as contrary to long settled law. Perhaps it is for these reasons that *the petitioner* admitted to the Board (prior to the Board's decision that the respondent's patent application was barred due to respondent's pre-filing sales activities under 35 U.S.C. § 102(b)):

> For purposes of analyzing whether a reduction to practice occurred . . . only the count needs to be considered. . . . The fact that [the respondent's] May, 1981, mock-up was a physical embodiment of a refuse container which corresponded to the count has been established above. It is also evident of [sic that] the mock-up's *intended purpose, a container with a hinged lid,* was also demonstrated by the handling it underwent by numerous [of the respondent's employees]. . . . [T]he [respondent's] mock-up was an actual reduction to practice of the invention [by the respondent].

(Ct. App. JA 2201, 2203, 2206 (emphasis added).)

The petitioner's change of argument about the facts should not give rise to an issue suitable for grant of a writ of certiorari by this Court.

V. The Petitions "Statutes Involved" Section Fails To Set Forth The Most Fundamental Of The Statutes Involved In This Case

The petitioner's entire argument turns on the nature of this type of proceeding and the concomitant scope of the district court's and Federal Circuit's authority. Remarkably, however, the Petition's "Statutes Involved" section does not include the most important statute bearing on that issue, 35 U.S.C. § 146. Instead, it is not until very late in the Petition that it quotes Section 146, and then in less than pertinent part in a footnote. (Pet. 15 n. 5.) The Petition never does forthrightly explain the undebatably unique appeal/trial *de novo* nature of the Section 146 trial that took place in the district court below. *See Hoover*, 325 U.S. at 83, 65 S. Ct. at 957 (discussing trial *de novo* aspects of this type of proceeding); *Case*, 730 F.2d at 752 (*id.*).

Section 146 provides in pertinent part:

> Any party to an interference proceeding dissatisfied with the decision of the Board of Patent Appeals and Interferences on the interference, may have remedy by civil action, if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints or as provided in section 141 of this title, unless he has appealed to the United States Court of Appeals for the Federal Circuit, and such appeal is pending or has been decided. In such suits the record in the Patent and Trademark Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and further cross examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony. The testimony and exhibits of record in the Patent and Trademark Office when admitted shall have the same effect as if originally taken and produced in the suit. . . . The Commissioner shall not be a necessary party but he shall be notified of the filing of the suit by

> the clerk of the court in which it is filed and shall have the right to intervene. Judgment of the court in favor of the right of an applicant to a patent shall authorize the Commissioner to issue such patent on the filing in the Patent and Trademark Office of a certified copy of the judgment and on compliance with the requirements of law.

Clearly, the appeal/trial *de novo* in the district court required the district court to apply the substantive law to the facts in the case. The simple fact, evaded by the entire Petition, is that the petitioner lost below due to nothing more than the application of well settled substantive rules of interference count construction to the facts developed at the appeal/trial *de novo* under Section 146. The petitioner's attempt to cast this case as anything to the contrary is not fair to this Court.

CONCLUSION

The Petition mischaracterizes the record, the narrow, fact-specific, unpublished decision by the Federal Circuit, and the pertinent law. The Petition has no merit and should be denied.

September 20, 1993

Respectfully submitted,

George P. McAndrews*
John J. Held
Robert C. Ryan
Steven J. Hampton
Priscilla F. Gallagher
McANDREWS, HELD & MALLOY, LTD.
500 West Madison Street,
34th Floor
Chicago, IL 60661
(312) 707-8889

*Counsel of Record

Counsel for Respondent

No. 93-290

U.S.
SEP 28 1993
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

SNYDER INDUSTRIES, INC.,

Petitioner,

v.

THE HEIL COMPANY,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

---

REPLY BRIEF FOR PETITIONER

E. BARRETT PRETTYMAN, JR.*
JOHN G. ROBERTS, JR.
HOGAN & HARTSON
555 Thirteenth Street, N.W.
Washington, D.C. 20004
(202) 637-5685

ALAN I. CANTOR
CHRISTOPHER L. MCKEE
BANNER, BIRCH, MCKIE
& BECKETT
1001 G Street, N.W.
Washington, D.C. 20001
(202) 508-9100

Counsel for Petitioner

**Counsel of Record*

PRESS OF BYRON S. ADAMS, WASHINGTON, D.C. (202) 347-8203

BEST AVAILABLE COPY

TABLE OF AUTHORITIES

Cases Page

Chevron U.S.A., Inc. v. *Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984) 2

United States v. *Edge Broadcasting*, 113 S. Ct. 2696 (1993) 2

Vermont Yankee Nuclear Power Corp. v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978) 2

Statutory Provisions

35 U.S.C. § 135(a) 6

35 U.S.C. § 141 4

35 U.S.C. § 146 4

Note: Petitioner's List of Parties and Rule 29.1 List appears in the Petition at ii.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

No. 93-290

SNYDER INDUSTRIES, INC.,

Petitioner,

v.

THE HEIL COMPANY,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

---

REPLY BRIEF FOR PETITIONER

Respondent The Heil Corporation ("Heil") seeks in its Opposition ("Opp.") to avoid the question presented, rather than confront it. We explained in our Petition that the Federal Circuit's decision below altered the way the Board of Patent Appeals and Interferences conducts its business, by imposing a judicially-created exclusionary rule on the Board prohibiting it from looking to the record to determine reduction to practice, a critical issue in establishing the priority of inventions. We noted the adverse consequences this new rule will have for the patent system, and also explained how the imposition of such

a rule—not mandated by Congress—was contrary to this Court's teachings on the proper relationship between a reviewing court and an administrative agency.[1]

1. Heil does not argue that the Federal Circuit has the authority to impose such a rule on the Board. Indeed, Heil does not even cite, much less distinguish, the cases we rely upon in establishing that the Federal Circuit intruded upon the proper realm of the agency in setting out its new exclusionary rule. *See* Pet. at 22-25 (discussing *Chevron U.S.A., Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), and *Vermont Yankee Nuclear Power Corp.* v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978)).

Instead, Heil contends that the Federal Circuit did not establish a new rule inconsistent with the Board's approach. A simple comparison of the Court of Appeals and Board decisions in this case refutes Heil's contention. The Board concluded that "[c]learly, the subject invention was designed to ultimately serve as a refuse container (JPR-7, 9; SPR 178-179)." Pet. App. 36a. "JPR" and "SPR" are citations to *record testimony*. *See* Pet. App. 34a n.3. The Federal Circuit, however, refused to look to the record, *id.* at 3a, and therefore reached a different conclusion on intended use and reduction to practice. *Id.* at 3a-4a. The ap-

[1] The notation that the decision below was unpublished was omitted by the printer pursuant to its usual practice. Nonetheless, petitioner informed the Court that the decision below was not reported. *See* Pet. at 1. Contrary to Heil's suggestion, that fact is no impediment to review by this Court. *See, e.g., United States* v. *Edge Broadcasting*, 113 S. Ct. 2696 (1993) (reversing unpublished court of appeals opinion).

proaches are plainly different, and—as here—lead to different results in actual cases.

2. Heil also argues that the question presented is not actually posed in this case, because the issue is what to do if intended use is not specified in the count, and here use as "a container" was specified. The argument proves too much. A container is what the invention is, not what it will be used for. If such a generic description is taken as a specification of intended use, then intended use will cease to be relevant in proving reduction to practice. *See* Pet. at 17. Heil itself argued below that the count did *not* specify an intended use. *See* Pet. App. 19a ("The plaintiff [Heil] asserts that * * * the Interference Count does not specify an intended use * * *"), 20a ("Heil correctly asserts that the count does not specify any particular intended use"). It cannot now try to argue the opposite—that the count actually *did* specify an intended use—in an effort to limit the significance of the decision below.

Contrary to Heil's suggestion, the issue in this case is not one of count construction, as to which the Federal Circuit simply differed with the Board and the district court. The issue is instead what materials may be consulted in determining intended use. That question is in no sense fact-specific.

3. Significantly, Heil has no answer to our point that the decision below will lead to intolerable inconsistencies in the patent system. As we explained, Pet. at 21-22, the decision below will mean that rulings on patent validity will come out differently depending on whether they arise in an interference proceeding (where counts are involved) or in infringement actions

(where they are not). This Court should not tolerate such an irrational result.

Heil also asserts that the fact that this case arose under 35 U.S.C. § 146 is of critical moment, and hints darkly that this fact was not featured prominently enough in our Petition. Opp. at 14. We noted that the action was under Section 146 in the first line of our jurisdiction statement, Pet. at 2, cited the Section more often than any other statutory provision, *id.* at v, and quoted it twice. *Id.* at 15 n.5, 21. In any event, the fact that the action reached the Federal Circuit on review of a district court decision challenging a Board ruling rather than on direct review of a Board ruling under 35 U.S.C. § 141 (*see* Pet. at 14) makes no difference whatever to the proper limits of judicial and agency authority. Surely Heil—already embracing an approach that can lead to inconsistent results in interference proceedings and infringement actions—is not suggesting that there should also be different results depending on whether review of a Board decision in an interference case is under Section 141 or 146.

4. Heil's assertion that the question presented is waived because it was not raised below, Opp. at 9, is readily answered. We stated in the "Question Presented" that the appropriate approach was to "look[] to the entire record * * * to determine the intended use of the invention," and asked whether the Federal Circuit erred in concluding that "consideration of intended use is instead limited to a description of the item * * * composed by the Office itself [*i.e.*, the count]." Pet. at i. The Federal Circuit expressly noted in its decision that "Snyder * * * asserts that when a count does not state for what purpose an invention

will be used, 'the courts look to the record' to determine the intended use." Pet. App. at 3a. The question presented was plainly raised and pressed below.

5. Heil also alleges that we inaccurately represented the facts. Heil is wrong. With respect to the first claimed inaccuracy (Opp. at 6), there is no inconsistency at all between the portion of the Petition quoted by Heil and Heil's version of the facts. With respect to the second claimed inaccuracy (Opp. at 6-7), any apparent inconsistency derives solely from Heil's use of bobtailed quotations taken out of context from the Petition.[2] Third, Heil objects to our statement, supported by citation to the statute, that Congress has given the Board responsibility to determine the priority of inventions. Opp. at 7. Heil notes that the issue also arises in judicial proceedings, but that fact certainly does not undermine Congress' recognition that the Board is the expert agency to which

---

[2] For example, we did not assert simply that the Federal Circuit ignored Snyder's patent, as Heil represents. Opp. at 6. Instead, we explained that the court below found the patent invalid and

> did so *by confining its consideration of intended use* to the count and ignoring Heil's patent application, Snyder's patent, the entire record developed before the Board and the district court, and the explicit factual findings of the Board and the district court to the effect that the intended practical utility of the invention was not as a general purpose container but rather as a refuse container suitable for use with automated refuse collection equipment. [Pet. at 8 (emphasis added).]

The point—plain from the foregoing—is that the legal rule announced by the Federal Circuit required ignoring Snyder's patent, in addition to any evidence other than the count itself.

the courts owe deference in construing and applying the patent laws. *See* Pet. at 22-23. Finally, Heil chooses to label as a factual misrepresentation a legal argument about the consequences of the Federal Circuit's new rule. Opp. at 8-9. Heil contends that the court's ruling will not change any Board practice, but the Board—whose decision was reversed because it followed its practice of looking to the record to determine whether the invention was reduced to practice for its intended use, *see* Pet. App. 36a-37a—will plainly not be able to follow that course in the future.

6. Finally, Heil argues that looking to the entire record would not be good policy. *See* Opp. at 11-13. For reasons set forth in our Petition, *see* Pet. at 16-22, we disagree. But neither respondent nor petitioner has been vested by Congress with responsibility for administering the system of patent interferences. By statute, 35 U.S.C. § 135(a), that is the responsibility of the Board of Patent Appeals and Interferences, and the Board has determined that the entire record should be considered in deciding the applicable intended use for determining reduction to practice. *See, e.g.*, Pet. App. 36a-37a (citing record). The question is whether the Federal Circuit—in the absence of congressional authorization—may overturn that judgment. As explained in the Petition, this Court's cases make clear that federal courts reviewing agency action have no such roving authority. *See* Pet. at 22-26.

* * * *

For the foregoing reasons, and those stated in the Petition, this Court should grant the Petition and reverse the decision below.

Respectfully submitted,

E. BARRETT PRETTYMAN, JR.*
JOHN G. ROBERTS, JR.
HOGAN & HARTSON
555 Thirteenth Street, N.W.
Washington, D.C. 20004
(202) 637-5685

ALAN I. CANTOR
CHRISTOPHER L. MCKEE
BANNER, BIRCH, MCKIE
& BECKETT
1001 G Street, N.W.
Washington, D.C. 20001
(202) 508-9100

Counsel for Petitioner

**Counsel of Record*